INTRODUCTION

Evidence on the Douglas system of Social Credit was taken before the Agricultural Committee of the Legislative Assembly of the Province of Alberta during the session of 1934. Evidence was given by the following gentlemen:

Mr. William Aberhart, of Calgary, Alberta, proposing a system of social credit for Alberta, on March 19 and March 21.


Professor Elliott, of the Department of Economics, University of Alberta, on March 19.

Mr. J. Larkham Collins, C.A., of Calgary, Alberta, on March 20 and March 21.


REPORT OF COMMITTEE TO THE HOUSE

Following the taking of evidence, the Committee reported to the House their opinion, as follows:

"Your Committee has held several sessions and heard the evidence of Messrs. William Aberhart, Herbert C. Boyd and Larkham Collins.

"Major C. H. Douglas, originator of the Douglas system of Social Credit, addressed a committee in support of his scheme on Friday, April 6th, and followed with a question and answer conference in the afternoon, which was further continued on Tuesday, the 10th instant.

"Your Committee is of the opinion that while the evidence given disclosed the weaknesses of the present system and the necessity for controlled Social Credit, it did not offer any practicable plan for adoption in Alberta under the existing constitutional condition.

"Major Douglas recognized this and urged that a thorough study be made, first, to arrive at a definite objective, and then, to get a clear idea of the obstacles to be overcome and the limitations to be removed in order to clear the way, and the best method of procedure to secure results.

"The evidence given has been carefully taken down and it contains much interesting information.

"Your Committee begs to recommend that this evidence be printed and made available for distribution as a valuable factor for the information of the public on the subject of Social Credit."

SYNOPTIC INDEX OF EVIDENCE

For the convenience of the public, a synoptic index of the evidence under a number of general headings indicating leading questions dealt with, has been prepared. Following is the index of the evidence itself:

| Evidence of William Aberhart | 11 to 19 |
| Questions and Answers (Mr. Aberhart) | 20 to 28 |
| Mr. Aberhart Recalled | 58 to 75 |
| Evidence of Mr. Boyd | 28 to 37 |
| Evidence of Mr. Larkham Collins | 38 to 40 |
| Questions and Answers (Mr. Collins) | 40 to 49 |
| Mr. Collins Recalled | 76, 77 |
| Evidence of Professor Elliott | 50 to 52 |
| Questions and Answers (Prof. Elliott) | 53 to 57 |
| Evidence of Major C. H. Douglas | 78 to 85 |
| Questions and Answers (Major Douglas) | 85 to 105 |
| Major Douglas Recalled | 106 to 127 |
MAIN POINTS IN EVIDENCE

The main object of the enquiry was to learn of the principles of the Douglas plan of Social Credit and of the proposals for its application by way of solution for the present day economic problems, and also to hear evidence as to the possibility of putting the plan into operation in the Province of Alberta. The enquiry covered many angles of social credit and its application, much of the evidence having to do with details of operation. The following synopsized index deals with the two main questions mentioned and a number of other outstanding points of a general nature.

Possibilities of Social Credit Plan for Alberta

The burden of evidence from Major Douglas, Mr. Collins and Mr. Boyd was quite definitely to the effect that present constitutional difficulties rendered impossible any application of social credit to the province. Major Douglas set forth his main evidence that power to control and re-organize the financial and monetary system was necessary to the institution of a social credit plan.

One of the first questions asked Major Douglas in this respect was as to whether any province without power to issue or even define legal money could institute a system of social credit, and Major Douglas replied that it was all a question of what the province had power to do. (Page 96, see questions by Mr. Ross and Mr. Gibbs, and the answer.) Later on, Mr. Moyer asked a similar question (Page 101) and Major Douglas replied, “If you have no powers, then of course you cannot do anything.”

Mr. MacLachlan (Page 103) asked Major Douglas whether it were not more desirable, in view of money powers resting in the federal government, that advocates of social credit should centre their attention on the dominion rather than the provincial field. Major Douglas replied in much the same manner as before, but urged that Alberta at least find out how far the province could go, and get something done.

Premier Brownlee (Page 113) put the question to Major Douglas in the following manner:

Q. Would this be fair: Some of us are afraid that to the extent that any community has not the power of controlling, managing, disciplining or penalizing these institutions that constitute the major part of the financial institutions, to that extent they are handicapped in trying to bring in a system of social credit?
A. I agree absolutely.

Q. So that if a community, such as one of our Canadian provinces, is bound by the constitution which practically, according to the Privy council’s decision, takes away any vestige of power to manage, control, discipline or penalize these major institutions, these major parts of our financial system, just to that extent the constitution has, theoretically at least, taken away the power to institute a system of social credit?
A. On the status quo.

Q. Inasmuch as your argument presages we shall work by constitutional method, then is it correct to suggest that our task becomes one of propaganda, and using what influence we can by constitutional methods to change that constitution, and until we have done that fairly well, submit to things as they may be?
A. But things may be thrust on you. You are not a sovereign state, and that is the power of a sovereign state.

Mr. MacLachlan (Page 106) asked Major Douglas: “Is there in existence any Douglas plan for Alberta drawn up with your authority or approval?” to which Major Douglas replied in the negative.

To questions by Mr. Ross (Page 117) as to practical suggestions for anything Alberta could do, Major Douglas replied that the main point was to establish what the province’s objective should or could be, and work towards that, eliminating obstacles where possible.

Mr. Duggan (Pages 121, 122) recognizing need for reformation of the present system, said, “You have told us very definitely that, on account of our limited powers as a province, the application of your scheme would not work.” Major Douglas replied, “Owing to your limited powers. I should say it is not a question that my system would not work, but you cannot put it at the moment into operation, but I should not like to be quoted as saying that that prevents it going into operation.”

Mr. Collins, in his evidence, stated that the judicial and fiscal situation of the province entirely prohibited the province from putting the Douglas scheme into operation, but urged the Alberta House to memorialize the federal government in the matter (Page 40). Mr. Brownlee (Page 41) asked Mr. Collins if it were true that the general secretariat of the Douglas Social Credit League in London had reviewed the proposal made for applying the Douglas plan to Alberta and had decided it was not practicable. Mr. Collins stated that this was not correct. Mr. Brownlee (Page 49) asked Mr. Collins whether the Douglas Social Credit League were advocating the plan be applied to any other province, and Mr. Collins replied, “Not to my knowledge.” When Mr. Matheson immediately afterwards asked him whether the league was advocating it for Alberta, Mr. Collins replied in the negative. On page 77 Mr. Collins repeated emphatically his opinion the plan was not applicable to the province.

Mr. Boyd, official delegate of the Social Credit League, agreed that the lack of money jurisdiction in Alberta is an insuperable obstacle to Alberta’s adopting the plan, but said that Alberta, however, had a real interest in seeing the plan adopted, somehow, if for no other reason than that it offered immediate relief from debt (Pages 57 and 77).

Mr. Aberhart was the only advocate of the application of the plan to Alberta, and during his evidence strongly defended his claim that it could be done. Early in his evidence he presented seven reasons why the plan could and should be adopted in Alberta (Page 19). On page 65 he made further defence of his proposal. To a question by Mr. Moyer (Page 72) Mr. Aberhart stated his opinion that there was no substantial difficulty in the way of Alberta’s adopting a social credit plan. Mr. Brownlee asked Mr. Aberhart (Page 73) what his first steps would be if he asked to organize a plan for Alberta. Mr. Aberhart replied that he would have Major Douglas come to Alberta and organize a scheme.

The Aberhart Pamphlet

With respect to the Aberhart pamphlet, in which Mr. Aberhart advocated a plan of social credit for Alberta, it was definitely stated by Major Douglas and other representatives of the Social Credit League that the pamphlet did not have the official endorsement of the league (Page 41, questions by Mr. Brownlee to Mr. Collins; Major Douglas’ replies to questions by Mr. MacLachlan, Pages 106 to 123). Mr. Aberhart defended his pamphlet and claimed it to be endorsed by Major Douglas (Page 62).

The Present Economic System and the Need of Reform

As a preface to the proposals of a system of social credit as a solution for the problems facing the people today, the speakers before the committee made various references to the present economic system and its weaknesses, and the urgent need for a change.

Major Douglas in his opening remarks, reviewed the present monetary system and showed how the banks and financial agencies had gradually assumed ownership of money and control of credit (Page 79). He further stated that, after a tour of the world, he had been impressed by the fact that everywhere the general population was becoming increasingly aware of the drastic necessity for dealing with the financial system. At one point (Page 103), Major Douglas directly named the present financial system as the cause of most of the crime and war of the world, expressing his belief that the next war was not two or
three years away unless something was done. Later on (Page 104), he went so far as to predict that “before 1940, if you have not changed this financial system, it will probably change and eliminate you.”

At one point (Page 86), Major Douglas argued that taxation of the rich to provide greater distribution to the poor was not the solution of present day problems.

Mr. Aberhart, in his address, referred to the problem of today (Page 12) and Mr. Boyd discussed the three chief factors of the economic system as being production, consumption and money, with the consumer as the pivot of the whole system (Page 29).

The Meaning of Social Credit

Major Douglas summed up his definition of “social credit” in answer to a question by Premier Brownlee (Page 110), and Mr. Aberhart discussed the meaning of social credit rather fully (Page 13).

The importance of social credit and the widespread interest in the subject was discussed by Major Douglas, who referred to the extent to which the population of the world was concerned itself in the matter, and said that the problem was not one of the “down-and-out” but of every business man as well (Page 104). Mr. Aberhart in his opening remarks, also pointed out the widespread interest in social credit (Page 12).

The Douglas System of Social Credit

In exposition of his proposal for a system of social credit, Major Douglas made it clear that the object was the setting up of a system whereby the real wealth of the country could be monetized for the establishment of a “national credit,” from which there could be a distribution of money or “tickets” to the population to increase purchasing power. To do this, he explained, the main necessity was the recapture by the state of the money power or money monopoly now held by the financial group represented by the banks.

During his question period, Major Douglas agreed with the statement put to him by Mr. Gibb (Page 106) that he advocated not so much a rigid plan of social credit, as that the essential thing was to regain complete constitutional and legal control over the institutions that sell currency or credit.

At the beginning of his evidence, Major Douglas pointed out that the economic system existed primarily for the production and distribution of goods and services, and that the providing of employment should not be considered the primary object of the system (Page 78). In this connection, he emphasized (Pages 81-82) that owing to the overwhelmingly effective modern productive machine, a continually decreasing proportion of the population was required to produce goods and services.

Major Douglas gave a complete and graphic review of the growth of the money system and the manner in which the present banking group had obtained control of that system and he pointed out that the issue of “tickets” (money was simply a “ticket” system, Pages 78-80) by the money power was done on the basis of gold, but that many more “tickets” were issued than there was gold basis for. The real basis for this surplus issue was obviously the general wealth of the community, but the necessity was for a proper monetization of this wealth in order to increase the distribution of “tickets” on a proper basis, that there might be the necessary increase in purchasing power on the part of the consumer (Pages 80 to 83).

Major Douglas pointed out that the creation of “wealth” and the creation of “purchasing power” were two different functions and that under the present monetary system, the producers of “wealth” had no power to produce purchasing power, that the “producers of wealth could produce real wealth from now till Christmas but they could not produce one cent of purchasing power” (Pages 80-81). It was implied in this state of affairs, he said, that all wealth belonged to the financial system, because only the financial system could issue the effective demand for wealth and that effective demand was always issued as a loan and not as a gift (Page 81).

A more detailed exposition of his ideas as to the monetization of wealth was given by Major Douglas in response to a question, during which he described the monetization of wealth as being the root of the whole problem (Page 91).

The New Zealand Proposals

In illustrating one method of monetizing wealth for the creation of a national credit from which a national dividend could be issued to the public, Major Douglas outlined the proposals made in New Zealand, which involved the monetization of the market value of bank assets over and above the value at which these assets were carried on the banks’ books, from which dividends would be issued to individuals over 21 years of age, the banks to be allowed nothing above six per cent dividend (Page 88). These proposals were again referred to later on by Major Douglas, when he dealt further with the value of the assets of various banking institutions (Pages 88 and 92) and in answer to questions by Premier Brownlee (Page 112).

The Scottish Plan

A number of references are made to Major Douglas’ plan for Scotland, which he made clear was possible only in the event of Scotland obtaining home rule. Major Douglas’ reference to this scheme was made in answer to questions (Page 134). Mr. Collins referred to this plan, stating that this was the only definite plan drawn up by Major Douglas in which Canada might find some possibilities. He outlined some features of the plan (Page 88). Mr. Aberhart also made reference to the Scottish plan (Pages 14 and 15).

Other General References to Douglas System

Mr. Aberhart in his main evidence, went rather fully into what he called the principles of the Douglas plan, referring to three—the basic dividend, the continual flow of credit and the just price—and dealt with some objections which had been raised to the general plan and some of these principles (Pages 15 to 17). He referred to Major Douglas’ appearance at Ottawa in 1923 when the Douglas plan, he said, was first enunciated (Page 20).

Mr. Boyd, in his main evidence, said, “The essence of the Douglas plan is that the consumer must be provided for,” (Page 30), and Mr. Collins dealt with three main features—the establishment of national credit, the just price and the national dividends (Pages 38 and 39) as based on the plan drawn up for Scotland.

Two Main Features Possible as Schemes

On Page 102, Major Douglas stated that, though he had no set rules or regulations for his system, and that his books were devoted mainly to an exposition of principles, he believed that two main principles had possibilities as schemes. He referred to the compensated price and the so-called national dividend.

Issuance of New Money for Works Not Social Credit

Major Douglas made it clear in his evidence to answer questions that the issuance of new money by the Dominion for carrying on of public works was not a means of effecting social credit, and that such a method in his opinion spelled disaster (Page 113). When he was asked whether he thought it was a healthy proceeding for the province, as the only way of obtaining new money, to borrow and thus increase debt, Major Douglas replied that it was only healthy on the assumption that the province was not going to pay its debts (Page 113).

Must be Done by Constitutional Means

It was made clear by Major Douglas at a number of stages in his evidence that he favored only constitutional means of bringing about the essential changes necessary to the adoption of his plan, as opposed to revolutionary methods. He ruled out the revolutionary method, saying the constitutional method was the only reasonable one at present available (Pages 83, 95). He reiterated this view in answer to a direct question by Premier Brownlee (Page 110).
Distinction Between Principles and Plans

On several occasions during the evidence of the various speakers, it was emphasized that Major Douglas urged simply principles rather than definite plans, and that the principles enunciated by him would require different plans of application in different countries. Mr. Aberhart pointed this out in his introductory remarks (Page 14) and later on illustrated the point (Page 64). Mr. Collins pointed out that Major Douglas had one fundamental plan, the principles of which were applicable anywhere (Page 38). Major Douglas himself denied that he had laid down any set of rules and regulations but that his books dealt mainly with the explanation of certain principles. He stated, however, that he regarded as possible schemes two main principles, namely, the compensated price and the national dividends (Page 102).

Difference Between Douglas Plan and Straight Relief Payments

The difference between the plan of relief payments now in effect in Alberta and elsewhere, and the Douglas proposal for payment of dividend was discussed by Mr. Collins in answer to questions (Pages 41 and 42) and again in a discussion between Mr. Aberhart and Mr. Collins (Page 61). Mr. Collins pointed out that the essential difference was that the national dividend under the Douglas system was not debt-created money.

National Credit

The creation of national credit as one of the main features of the Douglas plan was discussed from many angles, covering the creation and monetization of wealth, the distribution of purchasing power, etc. Major Douglas first referred to creation and ownership of wealth in his opening statement (Page 81), and discussed the production capacity of the modern world. His first suggestion of a means of monetizing created wealth which is not reflected in the distribution of money under today's system, was in his explanation of the proposals made for New Zealand (Pages 84 and 92).

The whole idea of monetization of wealth was dealt with rather fully by Major Douglas in reply to a direct question (Page 91) in which he expounded the idea that production and services were pooled by the people to create a central pool of wealth from which consumers drew by means of "effective demand," which was another expression for money or "tickets." A further reference to this idea was made later on (Page 116).

A further reference to the manner in which banks obtained possession of real wealth was made by Major Douglas in dealing with securities issued on property (Page 94).

Failure to monetize real or potential wealth was the main reason for the overwhelming problem of debt (Major Douglas, Page 109).

On Page 113, Major Douglas' reply is found to a question as to how funds for national credits would be provided.

Mr. Aberhart, in dealing with the proposal of a national dividend, and the principle of the flow of credit, declared that the basis for the creation of funds for national dividends lay in the increment of our natural resources (Page 18).

Mr. Boyd discussed the creation of national credit during his main evidence (Pages 32 and 33) and explained how the national credit was made the basis for our monetary system during the war (Page 36). As an example of how real wealth was created, Mr. Boyd referred to the amazing development of the west, quoting particularly the City of Edmonton (Page 36).

Mr. Collins' reference to the national credit is found on Page 38 during his outline of the main features of the Douglas plan.

A rather lengthy discussion on the production and distribution of capital goods and of purchasing power was held with Professor Elliott (Pages 53 to 57) and this was also discussed by Mr. Aberhart on his being recalled to the stand (Page 58).

The "A Plus B" Theory

The so-called "A plus B" theory, closely related to the matter of the extent of national credit, and the distribution of further purchasing power, was dealt with at a number of stages in the evidence of the various speakers. Major Douglas was asked directly concerning it, the question and answer being found on Page 89. Further on, Major Douglas replied to a question as to whether the soundness of his proposals was based on the validity of the "A plus B" theory (Page 105).

Mr. Aberhart's references to the theory are found on Pages 22 and 26. Professor Elliott discussed the theory (Pages 53 and 55).

The National Dividend

As one of the basic features of the Douglas plan, the national dividend received considerable attention from the speakers, and many questions were asked as to its operation. The chief points dealt with were the method of distribution of the dividends to the public, and various methods by which funds were to be provided for the cancellation of the dividends and their return to the state treasury.

Major Douglas' first reference to the proposed dividend was in his explanation of the proposals made in New Zealand, where the monetization of bank assets were to provide a fund to pay dividends to individuals over 21 (Page 84). Major Douglas more or less agreed with Mr. Gibbs as to the inherent right of individuals to a dividend from productivity of the country's industrial plant (Page 107). But the arbitrary idea that the state should issue dividends to any amount without these being based on a scientific measurement of the country's productive capacity and on the available markets for products, was a point raised by Premier Brownlee, and replied to by Major Douglas (Page 111). Methods of distributing dividends were discussed by Major Douglas (Page 115).

Mr. Aberhart preferred to term the national dividend a "basic" dividend and discussed it as the main principle of social credit (Page 16). Questions as to the use of the dividends by individuals were answered by him (Pages 20, 21, 26, 27). During his second appearance, Mr. Aberhart answered questions as to the number of people in Alberta and Canada who might be eligible for the dividend (Pages 59 and 60).

Mr. Collins' reference to the national dividend occurred during his exposition of Major Douglas' plan (Page 39). The amounts to be issued were also discussed by him (Pages 43 and 45). As to the use of the dividend, Mr. Collins answered a question by quoting Major Douglas as saying, "There is no restriction as to the use to which the national dividend would be put." (Page 48). Whether the dividend should be a gift or issued for work done was discussed by Mr. Collins (Page 48).

What will be done with the balance of dividends unused at the end of a year was a question discussed by Prof. Elliott (Page 52).

The matter of credit loans was discussed by Prof. Elliott (Page 51), by Mr. Aberhart (Pages 67 and 74), and by Mr. Collins (Page 76).

Method of "Return" of Dividend to State

The important question as to the methods by which the amounts issued in dividends to the public would be recovered by the state treasury was the subject of close questioning by members of the House Committee. Major Douglas discussed the matter in answer to questions by Premier Brownlee (Page 111) and to Mr. Buckley (Page 118). Mr. Aberhart had his explanation of the process, in answer to Mr. McCool (Pages 22 and 23) and in answer to Mr. Shields (Page 23).

Mr. Collins discussed methods of recall (Page 39), and agreed with the premier's understanding that this would be done by way of an income tax or some such levy (Page 41). Further on Mr. Brownlee brought the point up again with Mr. Collins, pressing for an elaboration of the manner in which
dividends would be recalled. Mr. Collins again agreed that some sort of levy would be necessary and quoted Major Douglas in the matter (Page 47). A little farther on he replied to Mr. Farquharson that the income tax was not necessarily the Douglas idea of dealing with the matter (Page 48). The imposition of an income tax to provide for recovery of the dividend would be an impossible method, Mr. Aberhart claimed (Pages 60, 61), and stated that Major Douglas had never claimed the income tax as the main method of recovering the dividend (Page 63). Mr. Aberhart further stated his view that there was no need of taxation to take the dividend back to the state (Page 66). Prof. Elliott discussed the question during his evidence (Pages 51 and 53).

The Compensated Price

The other outstanding principle of the Douglas plan, the compensated price, or "just" price, was also the subject of close examination. Major Douglas explained the necessity for a compensated price as an essential part of his social credit plan (Page 102). A compensated price, rather than a fixed price, was the proper method (Page 115).

Mr. Aberhart's exposition of the "just" price, as he determined to call it, is found on Page 18. He further discussed the question on his re-appearance before the committee (Page 64).

Mr. Boyd referred to the necessity of the just price as the method of checking inflation, which would otherwise result from the distribution of the national dividend (Page 33).

Mr. Collins' explanation is found on Page 39. When asked by the premier as to whether the just price was an integral part of the Douglas plan, Mr. Collins quoted Major Douglas as saying "yes" (Page 42). Mr. Collins was later asked as to the means of effecting price control (Page 46), and with reference to retail business, Mr. Collins referred to the idea of the formation of guilds (Page 49, answer to Mr. Ross). Prof. Elliott's discussion of the just price is found on Page 52.

Following is an index of a number of other points of interest touched upon:

**Question of Inflation**

The question of inflation entered into the discussion at a number of places. The premier asked Mr. Collins as to the difference between the proposed plan and a system of straight inflation (Page 44). Other references to inflation are found on Pages 114, 117, 120.

**External Trade**

The question as to how external trade would be conducted were Canada or Alberta to adopt a social credit plan was widely discussed. References to this can be found on Pages 25, 27, 28, 34, 35, 44, 46, 63, 67 to 71, 98, 100, 115.

**Banks, Banking and Present Monetary System**

References to the above subject were obviously quite extensive, including discussions on the history of banking and money, the gold standard, etc. The chief references to this subject are found on Pages 24, 29, 30, 32, 33, 36, 77, 79, 80, 84, 88, 93, 94, 124.

**Unemployment and Labor Problems**

References to the above subject may be found on Pages 12, 34, 42, 78, 82, 102, 108.

**Public Ownership and Nationalization of Industry**

References to public ownership, private operation vs. nationalization of industry, etc., were frequent and may be found on Pages 26, 34, 48, 76, 85, 86, 97 and 104.

**Control of Production**

References to the control and restriction of production may be found on Pages 97, 99, 107.

March 19, 1934

Chairman: Mr. Claypool.

**EVIDENCE OF MR. WILLIAM Aberhart, Calgary**

Mr. Chairman, Ladies and Gentlemen—

I am fully conscious of the responsibility that falls upon me in making an appeal for the introduction of a system of social credit to solve the present depression.

There are several reasons for this. In the first place it is my first appearance in this house of parliament. Many of you, it is true, have made me feel very much at home. I hope I do not get the idea of wanting to come back.

Then too, the question of social credit is not very well known. I therefore am very anxious to present it in such a concise manner that there may be some interest created in it. That is all I am hoping to accomplish.

To be frank with you, I feel somewhat like a young man getting married for the first time. I want to go on with it but I hardly know where it will land. I am equally aware of the responsibility that rests upon the members of this Government in passing judgment on this matter. If the task of the juryman gives him concern when one man's life or property hangs in the balance, what must be the case when the lives, the prosperity, and the happiness of 700,000 people await your judgment.

We have travelled this province from the north to the south, across and back, east and west, meeting the people and discovering the conditions prevailing. I can assure you that these conditions are not such as to make us proud. Let us remember that our province is potentially a land of plenty. None of our citizens should be suffering from want or privation. The granaries are full and goods are piled high in the storehouses. We have an abundance of foodstuffs that are being wasted, or wantonly destroyed. Why then should many of our people be in dire need, in suffering from worry, from privation, and from hopelessness? Many of them have no purchasing power and they cannot get work to secure it. Thousands of the youth of our land are coming out of the high schools and universities with no hope of work of any kind.

Thousands and tens of thousands have signed their names to petitions urging for a full and complete investigation of social credit as a remedy for the depression. Others are ready to sign. The representatives from Calgary have had 12,000 signatures placed in their hands. Many U.F.A. Locals as well as various clubs and social credit groups have told us they were forwarding resolutions to the representatives of this house.

I am satisfied that any person who is going to face the public, the voters of his constituency, will have to know something about social credit. I shall be glad if I can help you in any way. Social credit is the world's new road to prosperity and contentment. We shall never solve our problems until we start down this intriguing pathway.

**Importance of Social Credit**

The very fact that social credit has become a subject of world-wide interest should impress us with its vital importance. The social credit concept is not the product of the imagination of some hare-brained economist, seeking notoriety. It bears the marks of strength, stability and scientific accuracy. It comes to us from a genius mind. I hope that before this investigation is over, we may have with us, the gentleman himself, Major C. H. Douglas, who will speak with much more authority on the subject than I can. Social credit has swept over New Zealand and Australia and has penetrated the confines of dictatorially overridden Europe. In the great republic to the south of us, it is gradually getting a foothold, and we are having enquiries from coast to coast.
Major Douglas, the founder of social credit, in a recent speech in the large stadium in Sydney, Australia, on January 25th, 1934, said to an immense audience of 12,000 people, with a microphone reaching 100,000 radio listeners:

**All Classes Interested**

"But let me take you to some of these groups of social creditors all over the world, as I am privileged to move about amongst them. . . . We have in Great Britain famous regular staff officers: we have permeated most of the great services of the Crown; . . . I can say that there is no section of British society which is not represented, from the House of Lords to the poorhouse, in the social credit movement in Great Britain. . . . I could take you to the north: there is a group in every great city in Great Britain, sometimes three or four. But let us go across to Paris. In that city there are two main groups, because the French are becoming vitally interested in this matter. . . . There is a group in Norway; there is a group now in Switzerland, there are dozens of groups in Ireland. You are making enormous progress in Australia, and I believe even more progress, if possible, in New Zealand; but even your progress is hardly parallel with the progress that is being made in Western Canada. There are groups on the western coast of United States; there are groups in New York, very powerful groups, and there are groups in Washington, and one of these groups is doing what it can to influence the American situation along the lines we should like to see."

It seems to me that this is a credit to the same progressive character of our people here in Alberta. I am confident that the members of this progressive government in the midst of such advanced public opinion, will not lag back in the movement. If you do, there is a danger of being overwhelmed in this rising tide of insistent demand for action.

**The Problem of Today**

There are two things which stare us in the face today. They are evident on all sides.

1. A surplus of goods that cannot be disposed of, and
2. An unemployment situation that threatens to be permanent.

It is these two factors that are baffling our governments today. We are madly trying to ascertain which one is the cause of the other. One person asserts that, on account of the surplus, there is no need of more industry. Hence we have unemployment because of over-production. In other words, the surplus produces the unemployment. The remedy he suggests is to destroy or otherwise do away with the surplus—the young pigs, the cotton, the coffee, etc. Then curtail the production so that we have no surplus and we shall do away with unemployment. Another is equally sure that unemployment causes the surplus. Unemployment results in no purchasing power. Hence the goods are not purchased. We therefore have a surplus from under-consumption.

The remedy suggested in this case is the provision of work to enable the consumers to get purchasing power.

That is simple, but HOW is it to be done? If the work is along productive lines, the result will be merely to increase the surplus, and the remedy fails. It would be necessary therefore, to give employment through the medium of non-productive work, even if it is digging a hole and filling it up again, or removing a hill and replacing it again.

To this we have the indignant answer, "There is no need of that." We have roads to build and other useful public works to create. This leads us to ask three questions:

1. Where will all the money come from? Let us bear in mind that the cost will be much greater than the cost of relief which is now taxing our abilities. We are already deep enough in debt.
2. Is there a temporary palliative or do we propose this as a permanent plan? If permanent, where will we get all the roads to provide all this employment?

3. Will we use machinery in this work? There are machines which will do the work of a hundred men in road-building and these will reduce the relief offered to unemployment.

As a matter of fact, the cause of both surplus and unemployment is not to be found in either. It resides in the conditions caused by the inventive genius of men who make the machines which displace man labor. Thus the purchasing power is never large enough to buy the goods produced. This brings us to Major Douglas' "A plus B" theory. As this is only a theory submitted to explain an evident condition, I am not going to argue this with you this morning. I know that we can get into the intricacies of higher mathematics in trying to understand it, but I assume that evidence of the condition is of more value than an attempt to explain an intricate philosophical theory.

On page 49 of the Official Handbook of Canada, 1933, I read: "The national income of Canada is necessarily less than its national production." That is a practical statement of the "A plus B" theory in its effect. Please note the word "necessarily." It is not a mere incident of any one year. It will happen because there is a principle behind it. Government statistics will bear this out.

**The Problem of Credit**

Then, too, there is another element besides the two we have been discussing that further complicates the matter. Modern industries and business houses cannot carry on without credit. This they get, or try to get from the banks. Agriculture is one of our leading industries. Many farmers are finding it difficult to obtain this credit. I am not blaming the banks for this. When purchasing power decreases and a surplus accumulates, banks have to be careful in granting credit-loans. Hence the flow of credit is held up and this causes industry and business to lag and immediately there is increased unemployment. The banks will only give credit to the industry or business house that can maintain prices which produce profit. This causes the prices on some articles to be kept up while the prices on others fall. Thus people with little purchasing power are unable to secure these higher priced goods and again the trouble is aggravated.

Many people are beginning to see that the problem is not one of production but one of distribution. I believe that we have machinery enough, and the inventive genius is great enough to produce all the goods that we need.

Our problem is to see that these goods are properly distributed. Here is where social credit comes in.

**The Social Credit Concept**

Before any adequate judgment of any system of social credit can be made, it is essentially necessary to grasp the social credit concept. There are some people who seem to be unable to understand social credit. I was talking with a man about two weeks ago, and he said he had an open mind to these matters. I spent the best part of a week, off and on, discussing the various features of a social credit program and when we finished, he said he could not understand it. Then I discovered what he meant by an open mind. Evidently an open mind of this kind is one that can hold nothing. It goes in at one ear and out at the other without leaving an impression.

There are types of mind that do not lend themselves to progress. The traditional type, so bound up with the past and what has been, that it is afraid to try anything new, finds difficulty in making progress. You will hear some say, "Has this been tried before? If it has not been tried before do not ask us to look at it. We will not adopt anything that has not been proved by experiment."

I claim that in the day in which we live, we have to have the progressive engineering or philosophic type of mind, which examines carefully the principles involved and the difficulties entailed. Then it builds the bridge or digs the tunnel where none previously existed. This latter attitude of mind is essential if we wish to progress.
Now let us try to get the idea of social credit before us. Shall we build it up by comparison and by contrast? "Credit" is the ability of the individual or corporation to secure goods or services, without giving an equivalent value for them immediately.

The basis of this ability gives rise to two kinds of credit, viz., real and financial.

Real credit is the credit that rests on the capacity of the individual or corporation to deliver goods or services as, when and where required, e.g., a man has 1,000 bushels of wheat and wants credit. Because he has these goods and will deliver them as, when and where required, he may secure the credit. Or again, a man has a job which gives him an income. He can get credit because he is able to deliver services and will pay his income in return when he receives it.

Financial credit is the ability that is ours because we have established through the banks or credit houses a line of credit which enables us to pay, when required to do so. Financial credit is in reality, the financial appraisement of real credit, i.e., of our goods and services, dependent upon the demand for the same. These two are viewed from the producer's end mainly. Social credit arises at the consumer's position.

Social credit is that form of credit which arises from the association of individuals together, which enables them to use the goods and services before they are destroyed, disintegrated or seized by others. It is actually the unearned increment of real credit secured by association of the consumers. Most people understand the meaning of unearned increment when applied to real estate. A man buys a lot and pays a small sum for it, say $500. In the course of time, a city grows up around his property, and because of the association of individuals and the increased use and demand there is for this property, he is enabled to get $5,000 or $50,000 for it. The government recognizes this unearned increment and believes it to belong to the state as a whole, it puts a tax on it and rightly so.

Social credit involves the claim that every citizen has a right to share in the unearned increment of real credit which comes from the inventive genius and progress of mankind made possible by association under one government.

Social credit predicates a flow of credit, that manifests itself in its distributive usefulness. Social credit will work without money. You have heard or read of the bogus $100 bill. People did not know it was bogus, so it went around from one to another, distributing goods and when it came back to its original owner, he tore it up. No one was harmed, but it caused consumable goods to move. Social credit is largely a matter of bookkeeping; a transferring of credits and debits.

A Vital Distinction

One more point we must not fail to note before we pass on to a more detailed study of the system. We must learn to distinguish the principles or system of social credit from the plan of adaptation to any unit or state. We are sometimes confused in this regard and I believe some criticism has been made of the system because this distinction has not been recognized.

Let me illustrate. The principles of electricity are the same wherever found. The plan of lighting up a room may differ according to the style or kind of the room, or the whim of the owner.

So, the principles of social credit are the same wherever applied, but the plan of adaptation varies with the land, the people or the conditions. I am told that the little pamphlet that I published has been severely criticized as not being "Douglas". I did not write this pamphlet to be a full and complete plan for Alberta. I wrote it to encourage others to study social credit. I think I have accomplished that. Major Douglas has made no plan for Alberta. He is withholding any attempt at a plan until he gets on the ground. How then, can anyone say that we differ with the Douglas Plan when he has not as yet made one? He made a plan for Scotland when she was going to secede from the British Empire and had the home rule idea.

Major Douglas also made a plan for the mining industry of England. It is not the same as that he made for Scotland. He adapted the principles of social credit to the case in hand and the plans were different. The plan for Scotland and a plan for Alberta would be different. The conditions in Scotland are different, so also the standards of living, the industries, and the character of the wealth.

Thus far I have called your attention particularly to three facts:

1. The fact that social credit has become of world-wide interest, should impress us with its scientific importance. There is no sleight of hand in it, no magic, no confiscations, no nationalization or taking away of anything from anybody. Social credit is simple enough that the great mass of people can comprehend the main features of it. It is complicated enough that the greatest minds can find enjoyment in analyzing it.

2. The present economic difficulties do not lie in faulty production, but in a failure of proper distribution. No remedy can be found by tinkering at the production end. There is a lack of purchasing power because of the displacement of man labor by machinery and that is our problem. This results in under-consumption and destroys financial credit. The remedy must be found by providing purchasing power for the consumers.

3. This purchasing power cannot be supplied under the present capitalistic system. It can only come by the introduction of social credit. Social credit is not the socialization of finance. It is the recognition of the individual's right to share in the unearned increment of real credit produced by association. This is the viewpoint I have of social credit. The citizens of Alberta have associated themselves together to secure a living, i.e., food, clothing and shelter. We should not exploit one another but live and let live. There is enough wealth here to provide for all our citizens.

According to the Financial Post Business Year Book, page 25, 1933, Alberta's estimated wealth is $2,406,000,000, or per capita $3,724. Alberta's purchasing power in 1933 was $237,600,000, or i.e., an average of $318 per person. In 1932 it was $280,400,000. We therefore can realize that our purchasing power is decreasing at a rate of $42,000,000 a year.

If we are going to meet this problem, we must do so at once. Social credit is necessary to increase purchasing power. This in turn, will start the wheels of credit going and bring us prosperity.

Now may we go on to examine the three principles of social credit and the method of introducing it.

As I go into the system proposed, may I suggest that there is nothing to be gained by offering imaginative, impossible difficulties or objections. We can imagine impossible difficulties that would wreck any system, no matter how perfect. A man said to me one day, "If you introduce social credit into Alberta, all the countries in the world will at once cease to deal with you. What would you do in such a case?"

I replied, "What would we do now, if such a condition arose? I would suggest that we would do nothing more than we could do now." That is an impossible objection.

Another person asks, "What would you do if everybody refused to work and production ceased?"

My answer is, "I should do the same thing as you would do if the same thing happened today." It is an improbable supposition. There is no use raising objections like that.

Some ask, "What would you do if the Dominion Government said that they would not allow us to go ahead with anything to bring about a change?"

My answer must be the same. We should have to do the same as we might do now.

These are improbable suppositions, unreasonable, far-fetched. What is the value of presenting these strange objections?
The Basic Dividend Principle

To begin with, let me say, the first principle of the Douglas Social Credit scheme is what is called a “national dividend.” I must apologize to Major Douglas for calling it a “basic dividend.” I feel that this is a small matter. I have called it a “basic dividend” because the province could hardly claim to have a “national dividend.” In the second place, I have called it basic, because the dividend should be only enough to supply the bare necessities of food, clothing and shelter.

Under this principle, no man, woman or child in this province would be allowed to suffer hunger, lack of clothing or shelter. It seems to me that if we can exercise a law that commands that we shall feed, house and shelter horses, cattle and dogs, we should also have a law enacted that no man, woman or child in this land of plenty should suffer through lack of food, clothing or shelter.

Each month a social credit dividend of say $25.00 would be credited to each individual citizen’s account. On this he would be able to draw non-negotiable certificates to balance his account for food, clothing or shelter. This principle would necessitate the definite enumeration of the qualifications of a bona fide citizen under the scheme.

A man in one of our southern towns wanted to know what we would do if all the people of the west flocked into Alberta. Flocking into Alberta does not qualify them for basic dividends. Another questioner wanted to know if it would not take an army of clerks to handle all this bookkeeping. There would be no more clerks needed than now, for there would be less duplication. Think of the number of banks scattered all over the province often duplicating the need of clerks. Besides there is machines to do the work.

In Maurice Colbourne’s “Economic Nationalism,” page 46 of the 1933 issue, I read:

“1933 saw the installation in the city office of one of the “big five” banks, according to the Sunday Express, of a machine four feet high like a mammoth typewriter with levers instead of keys. Operated by one girl and doing the work of 60 bank clerks, this machine deals with 60,000 separate ledger entries in an hour; records the code numbers of the client and the cheque, the amount paid in or out, the total balance and interest due. If the machine makes a mistake it shows a red card.”

I do not think we need to fear having an army of clerks.

A moment’s thought will show you the advantages of these dividends.

1.) If each bona fide citizen can buy the necessities of life, what a boon it would be to the retailer and then in turn to the wholesaler and to the producer. Business will boom. Prosperity will be ours in three months if business is thus increased. Think also of the increased employment.

2.) The freedom from worry and economic slavery will give us a contented and happy people, willing to co-operate in any way. The wolves will have gone from the door.

3.) Gradually people will be taught the proper use of leisure time, in order that they may pay more attention to culture and to the arts and sciences.

4.) Young men and young women will not be compelled to leave school before they are properly and fully trained. They will have the necessities of life guaranteed to them while they are finishing training. This will tend to relieve the labor market of the inexperienced laborer seeking a job of some kind.

Objections Are Eagerly Offered. Why?

Somehow people resent all this. They eagerly offer every objection possible, as if these were matters we should seek to evade. I often wonder what has become of our psychology instruction when I hear people talk. One man wants to know what we would do if a citizen misappropriated his credit. Suppose he did not use it to purchase food, clothing or shelter, but bought a radio instead. We would use the science of psychology to deal with this man. If he failed to pay his grocery bill, he would be warned and shown that he had been given a privilege that he must not abuse. We would encourage him to understand what he should do.

Another asks, “What would you do if a citizen issued non-negotiable certificates exceeding his account at the state credit house?” He would have to be treated the same as the man who issues a NSF cheque today.

Another could not see how he could pay his foreign accounts with non-negotiable certificates. They would not receive them as money in a foreign land.

This man actually thought that when he paid an account in another province or country, that the actual money was sent. When I explained to him that the credit house would issue drafts and money orders just as now and receive non-negotiable certificates for them, it became quite plain to him.

The greatest objection I have heard is that this free dividend business will make people lazy and ruin them morally. Those who talk thus, always refer to the other people, not themselves. They can receive dividends without any harm. I have not yet noticed any mental or moral weakness coming over people who receive dividends. As a matter of fact, under social credit privileges, every bona fide citizen has a right to his state dividends.

There are only three ways that I know of, to get people to work. If you think giving them dividends will stop them from working, which method would you use?

1.) The first is by compulsion, physical or mental. This is adopted in some countries, especially where dictatorial powers are in vogue. They compel people to work by inflicting pain or imprisonment or death. I doubt whether we would use this method under the British flag.

2.) Another method is by starvation. It could be said to a person, “If you do not work, we shall let you starve.” That method is hardly fair unless the country can provide work sufficient to sustain all of our population.

3.) The other method is to treat the citizen fairly. Give him what he has to have and then call on him to co-operate. I am persuaded that we can never handle our people, young or old, by either of the first two methods. There is a spirit in people of British birth which is opposed to compulsion in any form, but there is something in the Anglo-Saxon that responds to fair treatment. This is the idea back of the social credit dividend.

There is another question which arises as we pass on to the next principle. It is this, “Where shall we get all the money or all the credit to give all these dividends?”

The second principle of social credit is the demand for a continual flow of credit. The credit must be kept moving so that the goods may be distributed. With this in mind, Major Douglas called the flow of social credit the Blood Stream of the State.

The comparison is very striking. Just as the blood flows out from the heart, feeds, clothes and shelters every cell of the body, picks up the impurities of the body and returns to the heart after purification in the lungs, so the credit dividends should flow from the state credit house to every consumer on to the retailer, to the wholesaler and to the producer and then back to the credit house to start over again. If you let anything interfere with the blood stream you will cause disorder and sickness. If you let anything interfere with the flow of credit, the state will be weakened thereby. Our province is sick today and I believe the cause is the interference with the flow.

May I demonstrate from the chart what I mean. Here is the state credit house at the top. To start the business going they give a credit loan to producers without interest. In producing the goods, the producer pays out this credit in wages, salaries, commissions, etc., which ultimately comes to consumers. This amount is not enough to purchase all the goods. The state credit house therefore
issues the basic dividends to make consumers’ credit equal to the consumable goods. Thus the flow begins. The consumers buy the goods from the retailer and pay in credit certificates which are deposited. The retailer in turn pays the wholesaler similarly, and he settles with the producer. Finally the producer repays the loan to the credit house and the circuit is complete. Thus the blood stream of the state continues, over and over again.

Major Douglas, I believe, has grasped the principle that the physical scientist used long ago. If we wish to have progress, we must follow the pattern that the Creator has given us. When the physical scientist examined the human ear, he saw how it was constructed and he was able to build the telephone; when he examined the human larynx and saw how it produced sound he was able to construct the phonograph.

When we examine the blood stream and compare it with the flow of credit, we are following a principle that will bring us somewhere.

Now then, the question where all the credit comes from can be easily answered. If you consider where all the blood comes from, you will get your answer. Does not the food we eat supply the need of the blood stream which continuously flows through our bodies? Does not our increment on the natural resources supply the necessary credit to keep up the flow of credit?

This leads us to the third and last principle of the social credit system. It is known as the automatic price control, that fixes the “just price.” As the flow of credit passes around, as indicated, there are two ways in which it might be interfered with.

(1.) By the hoarding of the basic dividends or wage credits by the consumer. This destroys the equality of production and consumption and creates the dreaded surplus. In this connection, I have suggested that we introduce a compulsory spending act. The consumer must use up all this credit. If he cannot use it all on consumable goods, he must turn it back to the government for bonds payable at a future date.

(2.) By the exploitation of the consumer through the manipulation of the price of the goods. To meet this exigency, Major Douglas suggests the automatic price control and the just price. A guild commission might sit from time to time to ascertain the actual total cost of production and to examine the ratio of consumption to production. If consumption is lagging behind production, the commission could allow a discount off the total cost to increase the consumption. This discount would be paid to the retailer by the state credit house or allowed to the consumer on presentation of his invoice at the state credit house. I have spoken to the retail grocers on this matter and they tell me that they require a 20 per cent spread on their goods. If the people were able to buy what they need and had basic dividend credit to pay for the same, a spread of five per cent would be ample.

I was addressing a club in Calgary over a week ago and one of the members said the present spread average was one to four. That is, an article costing $2.00 to produce, would cost the consumer $8.00. The intermediate $6.00 was given to those handling the goods between the producer and the consumer. Social credit proposes to make that profit smaller and the turnover greater. The automatic price control and the just price will perform this function.

I would like to say this in closing. I should like, if possible, that there should be some effort made to give this a trial in the province of Alberta. I appeal to you, with the backing of the many signatures of the voters in the various constituencies, to give it the most thorough investigation you can give it. I understand that there is some difficulty in getting Major Douglas; that he is asking $1,250 fees. I would be willing to assume the obligation of $1,200 or $1,250 if necessary in order that he might be heard, provided he would be allowed to speak once in Calgary and once in Edmonton. I think the people of the province would be willing to pay an admission fee to hear him. I do not think that he should be allowed to pass so near to us and not be heard. If I were given the charge of that part of it, I would be willing to do it in that way.

Why Alberta Should Adopt Plan Now

The chairman has asked me to impress on you why we feel it should be introduced first into Alberta and not into the Dominion of Canada. May I present to you seven reasons for that.

(1.) The problem of the education of the people in the social credit idea is so much greater in the whole of Canada than in the province of Alberta alone. I am satisfied that this Legislature will agree that no public law or system can be well introduced until public opinion is solidly behind it. The Dominion of Canada is too large a field to get the people all to understand it. I was told the other day by a “Canadian Press” reporter that the people of Ontario have only a faint inkling of social credit. Alberta is in better shape, but British Columbia is not so informed. I wonder how Quebec would be? Who is going to do all this educative work in Canada as a whole? Alberta is fairly well covered and could be completed briefly and quickly. Thus we would have a better chance of putting it in the province than in the dominion.

(2.) The second point is the constitutional one. Ten legislatures, nine provinces and the Dominion, would have to agree. Two minds with but a single thought may be possible, but the functioning of ten legislatures in harmony taxes the most hopeful imagination. I can imagine the differences of opinion that might arise if all the provinces were asked to agree on one thing. If one could stop the whole movement, I just wonder how long it would take to do it.

Q. Mr. FARQUHARSON: Are you arguing that all the provinces must agree before it can be put into effect in the Dominion?

A. No, but the Dominion would have a reason for waiting if they so wished.

(3.) The opposition to its introduction into the Dominion would be greater than if introduced into the province. To introduce it into Alberta might call for Dominion interference, but foreign countries would give little heed. If we attempted to introduce it into Canada, we would have Great Britain, the United States and other great countries objecting. Thus the resistance would not only be domestic but foreign as well.

(4.) There would be a greater time required. The goal would be farther away in case of the Dominion introduction. If the bank act is passed this year, the Dominion house could not very well raise the question for ten years and that is too far away to be of any benefit to our people.

(5.) It is contrary to the regular method of improvement. In improving any situation, it is usually better to take a department at a time. The farmer usually summer follows one field at a time—never the whole farm at once.

(6.) The problem of federal debt would prove a barrier. There is a possibility of the province liquidating its debt, but it would be impossible for the Dominion to do so without breaking the banks. Our provincial debt is something over $144,000,000. I have been told that the savings deposits in the banks of Alberta amount to $218,000,000. If we can sell bonds to our citizens, we can liquidate our external debt. The sale of the bonds would be purely optional and this transaction would transfer our external debt to an internal matter to be handled by social credit. This can be done in the province with greater ease than in the Dominion.

(7.) If the system was introduced into Canada, the provinces would have to look after their own affairs in any case. Since it is not interfering in any way with the carrying on of Dominion business, why need we wait? Why could not the Dominion say, “Go ahead, Alberta, and try it out?”

I have spoken at some length and probably have not covered the case as well as I desired. It seems to me the real difficulty is in trying to get to the bottom of it. I hope if I have failed, my failure will be covered by your investigation.
QUESTIONS AND ANSWERS—MR. ABERHART

Q. Mr. GORESKY: You said certain dividends would be paid to the people, or a certain entry would be made in a book. How do you suggest these entries would mean anything without Alberta controlling industry and having the right to dispose of products, produced in the province, and some control of the products? I think that an essential part of the whole scheme. Can you compel anyone to accept these dividends in lieu of money? These dividends would be acceptable to everybody in the province and how can you make them acceptable without controlling the goods?

A. The amount is put on the credit side of the book. The person carrying the book will be given a pad of non-negotiable certificates. This reads, “Credit $20.00 to Mr. So-and-So,” and the signature. That retailer takes that certificate and comes to the credit house and when the transfer is credited he can do the same. It works similar to a cheque except it is non-negotiable.

Q. Mr. FARQUHARSON: In order to clear up some misconception: Do you recognize this pamphlet?

A. Yes.

Q. You are the author of this. Has this been submitted to Major Douglas? Will you tell us his opinion?

A. I have a copy with me in my grip which I will put forward as an exhibit that you can see for yourself. One of our group went to the old country and interviewed Major Douglas and had a talk with him and presented to him this pamphlet. After looking it over he put on the outside his autograph, “With kindest regards, C. H. Douglas,” and told the man in general outline it covers his principles. He also sent me his latest book on social credit as a complimentary copy. That is all I know.

Q. Mr. PAYNE: When was the Douglas system first enunciated?

A. About 1918-19. About 1923 he was in Canada.

Q. Has it been used at all?

A. No. Up to the time of 1930 we were on a prosperity wave and no one was particularly interested in any change. We thought everything was rosy. He predicted that would not last, but he could not get a hearing. Since 1929 and 1930, since the break, people are beginning to investigate a system of recovery and in these last four years Major Douglas’ system of social credit has become world wide in interest.

Q. Mr. BOWLEN: Was there a committee of the Dominion house investigated this thing?

A. Major Douglas appeared before the banking commission in 1923 and gave evidence, as reported in Hansard, along the lines I have imperfectly submitted to you this morning. Also another point: Major Douglas has unquestionably declared that his system could be placed in the province. He has, as I said, prepared a plan for the mining industry of England. He declares (I have a letter sent to the Provost group of social creditors) that he is quite satisfied it could be worked. Mr. Kerslake had a letter stating it could be done. Mr. Kerslake disagrees with Major Douglas on that, but Major Douglas maintains he sees no reason why it could not be put in any group as large as the province of Alberta.

Q. Mr. ROSS: Who is he?

A. He is the Dominion secretary of the Commercial Credit League of Canada. He says in his opinion it cannot be put in the province.

Q. What objection would there be to bringing Major Douglas?

A. I think he hesitates to make any public speech until he has the direction of the house. He may not want to. I do not know how his health is, but if the proposition were put up to him he could at least make his answer.

Q. Mr. MACLEOD: What makes you think that because the state gives a cheque book to the individual that the owner of the goods will be willing to hand them over these goods for an order out of a cheque book? Where is the authority? Is there anything substantial behind the cheque book?

A. The Province of Alberta is better than any bank’s book.

Q. Whatever the source may be in the Province of Alberta under private ownership is there not need of control by the government?

A. Yes, the government can tax it out of life if they want to. I know we happen to have $1,000 in one of your savings certificates and I have no trouble in getting cash on that at any time I want to on the credit of Alberta.

Q. Mr. PATTINSON: The speaker said if social credit came into effect in Canada, the United States and Great Britain would show some hostility. I take it that would obstruct and you thought it better that it should be commenced in the province first. Would there not be the same type of hostility in regard to the province as there would be to Canada? We are an exporting country.

A. Well, my point was that the outside countries would leave the Dominion to do any objecting. They would not start interfering with Alberta. They would talk to Ottawa and all our objections would come from the one place; and not only that but there would be the international objections of financiers and also of the Bank of England and the five great banks. They would be decidedly interested in the movement. That kind of opposition is so much greater, that is my point.

Q. Mr. GORESKY: Would you leave factories and the means of production in private hands?

A. Yes.

Q. Your claim would be similar to what we call inflation or reflation, except you would divide that up amongst the citizens of the province?

A. You have mentioned one reason. Non-negotiable certificates is only potential credit. It is not on the market. If you give me $30 on the credit side I cannot use that unless I use it for goods and services. I cannot hand that bill to another person and carry it around.

Q. Mr. FARQUHARSON: Have you to spend it within a certain time?

A. You have $30.00 a month. This is a matter that has to be worked out. I would suggest at the end of the year if that man has got $300 and you thought that necessary and one fellow was miserly and would not buy clothes or other articles you would say you have to buy that or we will take it off.

Q. Mr. PAYNE: How do you propose to deal with a man who issues more cheques than he has credit?

A. Just the same as if he issued a cheque when he has not got the money. We could say you did that this month but if it occurs another month you will lose your privileges.

Q. Then how would you carry out the theory of food, clothing and shelter?

A. You do not find many people writing N.S.F. cheques. You could make it strict enough for jail if you wished to do so.

Q. Mr. LOVE: You create this social credit by drawing on the national wealth of the province by taxation?

A. Not by taxation.

Q. It would have the power to put this into effect?

A. It does not interfere with the province's right of taxation. It is a bookkeeping entry the same as the banks give you today, a credit the same as the banks give you today. When I draw, that becomes a debit and when it is exceeded I am through. I have a cheque and pay it to another and it keeps going around.

Q. Mr. MOYER: You do not agree the whole is equal to the sum of the parts? You say increment is caused because of association and you used the illustration that if a man buys a lot for $5,000 and 1,000 other people buy a lot adjoining for the sum of $5,000, the same price, there will be no increase in value?

A. No.
Q. It is only by the 999 putting up buildings and improvements that there is any increment, so increment does not come from mere association. You cannot take one plus one plus one and make eight or ten of it.
A. I know I could get a pair of shoes much easier by being along with a lot of other fellows than by trying to make them myself.

Q. Mr. FARQUHARSON: You did not discuss the “A plus B” theorem any more than to make a statement regarding some Dominion statistics. Will you give us that statement again and illustrate what it means?
A. Page 49 of the Official Hand Book of Canada, 1933: “The national income of Canada is necessarily less than its national production.” All you have to do is to look through all statistics of the Dominion and that is proved on every page. Necessarily, not happens to be, but is “necessarily” less than the national production.” I say to you again Major Douglas has peculiar knowledge and goes into it with higher mathematics, but the ordinary man cannot follow that, and I like to have a statement of this on statistics to show that it is generally recognized in actual practice that it is necessarily less than the production.

Q. Mr. MOYER: Is that not because of the youth of the country?
A. The national income of Canada is necessarily less than the national production. There is no youth in it.

Q. Mr. MOYER: Suppose an individual made a fortune and lived on the income. He is producing nothing but he has a good income. Nations are the same way. In one little country in Europe the income is much greater than the production.

Q. Mr. MacLACHLAN: Canada owes a tremendous debt abroad. Is it not essential they must produce more to meet that obligation? Would that not explain the point you are raising; if we do not produce more than we spend?
A. That is the point. But there is always an overhead that lags behind. There is a lag in it. There are not enough wages paid. A man has to spend the wages before the product he is making is on the market. That lag is always behind and production is greater always and then your point comes in further.

Q. The point is our exports continually exceed our imports and must necessarily do so in order to pay our obligations?
A. No. The balance of trade can be the other way.

Q. But we must of necessity have our exports more than our imports to meet foreign obligations.

Q. Mr. GORESKY: You said dividends would be allocated according to the income of the province. I was wondering if that mean in better times you would give higher dividends, and smaller dividends in times which are bad, according to the increasing or decreasing income of the province?
A. It is the purchasing power of the province, which means a little more than income.

Q. But the purchasing power would be worse in bad times than in good times?
A. Yes. The point is the basic dividend is settled not on how much you want to make, but the amount it costs a man to get food, clothing and shelter.

Q. Mr. McCOOOL: Will you enlarge a little more on how this credit gets back for cancellation. I can see how credit loan for production go to the retailer and wholesalers, but taken on the basis of the figures you use, of $300 a year I figure 72,000 souls in this province would amount to $21,000,000. Will you explain just how that gets back for cancellation along with the credit loans you have mentioned?
A. You are taking the total population; that we give dividends to every child?
Q. I understand the point is they would go to every person; every person entitled to food, clothing and shelter?
A. No, I made the amount for those over the age of 21.
Q. Well take that, and whatever that amounts to, and explain how that gets back for cancellation when it is given as basic credit.

A. I will take 1,000 people in the province to show how it would be done, 1,000 people. How many of this thousand would be unemployed? That is the first question. If the social credit system is introduced how many of the personnel of our working population (I mean 21 years old) would be unemployed? If the amount was 10 per cent, you understand what this would mean for this province with 10 per cent of 500,000 people, 50,000 unemployed. Under social credit if that is possible there would be 1,000 of that unemployed. They would get $300 per year and you would have to produce $30,000 for that 1,000 people. Nine hundred get $300, and also salaries or wages, $900 x $300 = $270,000; that is $300,000 in basic dividends. In order to carry this on there would have to be a relationship constantly existing between salaries and the amount of dividends. The man who works, if the basic dividend was $25 a month should get at least $100 on an average. There should be a wage or salary of $100 if the basic dividend is $25. I am not working this down mathematically, but this would be perhaps what that would mean: $1,000, let me say $1,200, for the year; 900 people at $1,200 for the year, $100 a month, would make $1,080,000. That basic dividend $1,350,000. We would have to get $300,000 in an adjustment levy. That adjustment levy would have to level down so it could be done. The government would do that.

Q. How would you get back the other 90 per cent? That does not get it back to cancellation? In what way does that go back for cancellation?
A. Well, here is a man with $5,000 a year. The levy would come on his man at $5,000 a year. He would have to give $5,000 a year. The income of a man with $5,000 a year would be $300 a year. That is $300,000 in basic dividends. In order to carry this on there would have to be a relationship constantly existing between salaries and the amount of dividends. The man who works, if the basic dividend was $25 a month should get at least $100 on an average. There should be a wage or salary of $100 if the basic dividend is $25. I am not working this down mathematically, but this would be perhaps what that would mean: $1,000, let me say $1,200, for the year; 900 people at $1,200 for the year, $100 a month, would make $1,080,000. That basic dividend $1,350,000. We would have to get $300,000 in an adjustment levy. That adjustment levy would have to level down so it could be done. The government would do that.

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Q. That is through taxation?
A. Yes.

Q. Mr. SHIELDS: I am turning in 5,000 bushels of wheat to my credit. 2,000 bushels is required to get $1,000 credit.
A. It would not be that high.

Q. But take these figures: $3,000 would not be turned back to me until adjustment was made for the non-working class. In other words turn in the whole production and equalize the purchasing power of the people by drawing from my production to equalize these people who have not produced?
A. You are going to make these people buy your production and you will get credit so you will be willing to say if I get so many people buying my goods...

Q. The state clearing house has paid out $10,000,000 basic dividends and it comes around to the producer and the producer pays back into the clearing house from the goods he has produced. The amount that would come back to the producer would be whatever the amount over ten millions. There would be nothing more coming back to the producer. Ten millions in basic dividends have to be provided.
A. If you remember the 1-plus-4 ratio you are correct. Your income will be four times as much as the one.

Q. Mr. SHIELDS: It really amounts to the fact that basic dividends come out of a man’s earnings over and above. We can say the average dividends if we set a maximum of say $6,000. You have probably set a minimum that they shall receive $30 a month but you would take from the man receiving $5,000 sufficient from his earnings to pay the $30 per month to the man that has not.

Q. Mr. PAYNE: Could I get credit to build a factory?
A. If you had sufficient security to enable them to know you could carry it out.

Q. Supposing the factory burned down, who would bear the loss?
A. The person you have it insured with.

Q. You cannot insure for 100 per cent. Who would carry the loss?
Q. Mr. BROWNLEE: How?
A. In Calgary we have a number of Dominion railway officials bringing in Dominion money. They would deposit the money with the state credit house in order that the scheme could be brought into practice.

Q. I have not gone fully into that, particularly because I understand from Major Douglas' proposal for the Dominion that they would issue currency and have the control of issue of that currency, and if they give the banks the right today to issue currency and put it in the hands of private companies you would not be able to take it out of private companies' hands. I do not know what scheme is proposed particularly for the Dominion. I have not studied the plan under which that would be given. I have not seen one written. I do not know what they would do in that case, but it seems to me if the central bank today is going to be in the hands of a private company and if they are going to have the right to issue this currency, and no one else has the right, you would have to wait until their charter went out before you could change it.

Q. In view of the probable necessity of amending the bank act, that would not be interfering with the present rights of the private banks to set up this scheme in Alberta?
A. Not when we do not handle currency. We issue non-negotiable certificates which under the bank act is issued to day. We are not interfering with it. If you are going to do the same with the Dominion of Canada it is possible to do it that way.

Q. Mr. FARTHING: If we introduce this plan into the province of Alberta, could it function properly if the banks were allowed to continue in business the same way as they are now?
A. Yes, the basic dividends will all be issued in credit. The purchasing of goods will be done largely by that means, on credit, on non-negotiable certificates. Men can do business through any source they wish.

Q. Mr. FARTHING: Supposing a man said, "I want bank money; I do not want your certificates?"
A. The province would be able to give it.

Q. Mr. BROWNLEE: How?
A. In Calgary we have a number of Dominion railway officials bringing in Dominion money. They would deposit the money with the state credit house.

Q. Mr. LOVE: But they do not have to do it?
A. No; it is optional that they do so. I understand a plebiscite would be taken, and people would vote for or against, so if a man says I want this, I naturally think he will use every means at his disposal to help the thing on. Your are going to suppose for me there will be a tremendous wave of objection. I would not suggest if the majority of people are opposed that it be put into force. You cannot put it in if the majority of people do not understand it and will not carry it out. We have $218,000,000 in the savings bank. If the people of the province can be persuaded to buy savings certificates instead of depositing in the bank, and you give them savings certificates or bonds, then that would give you a claim on the bank for $74,000,000 any time you wanted to draw.

Q. Mr. MacLACHLAN: Doubtless you are aware of the statement, "Every loan makes a deposit." What percentage would be primarily bank loans on property?
A. A person could use his savings account if he wanted to. I do not think a business is allowed to use the savings. A private individual is checked up for not having it in the current account.

Q. Mr. McCOOL: You mentioned it will be necessary for you to get the savings deposits of the people of this province deposited with the state credit house so that they will be able to conduct external business?
A. No, I did not.

Q. How then would you conduct external business? Today you do not transport money from here to New York. Under this system, I buy a money order and that must be credit New York will accept and that amount of credit recognized in negotiable currency?
A. The balance of trade.

Q. Then build up that balance of trade in state credit?
A. Naturally if we export goods to the United States the only way they will get money from us is by buying our goods.

Q. Mr. MATHESON: Supposing they don't get paid?
A. It will just pile up, and pile up interest.

Q. Mr. McCOOL: You are planning on depositing in the state credit house and using that to liquidate the capital debt?
A. Yes, reducing interest charges which are killing the country.

Q. You stated it is necessary to have a majority behind this thing?
A. You could not put it through without a plebiscite which shows the majority favourable.

Q. If 80 or 90 per cent were in favour and the other 10 or 20 per cent owned these deposits and they are opposed and do not come in, they could withdraw their savings and take them to some other province. You could not carry it out without them?
A. We would not liquidate so many debts. We would liquidate as many as we could and have a claim on the bank for the balance. We have got to have a claim against the bank if we want bank money.

Q. Mr. PAYNE: Would that not interfere with the bank act?
A. You do that today.

Q. Well, we have the right to tax; that is about all.
A. I understand the only way to get credit from a bank is to sell bonds of some kind. That gives you a claim on the bank for that amount of money.

Q. We do not sell many bonds to banks.
A. Yes, but a man gives you a cheque on the bank for them and that gives you credit on the bank.

Q. You must have someone pay the bond?
A. Supposing a man in Saskatchewan buys a $500 bond. He gives you a cheque and you have a claim on the bank for $500.

Q. Mr. BROWNLEE: That is just transferring it from one debt to another?
A. Transferring it from external to internal. You cannot solve your problem until you transfer your obligations to your own people. The social credit system works so that the more external money you have with a claim on resources the less you can distribute to your own people. You have to make your debts to people through external sources and bring them internally. That may be difficult perhaps, but it works.

Q. Mr. RONNING: Is that one of the claims?
A. Major Douglas claims it can be done on a smaller or greater scale according to the ability of the people to make it work.

Q. Would it be necessary to liquidate his debts to the province internally before this is put into effect?
A. Yes.

Q. Mr. MATHESON: You said it works. How do you know it works?
A. I have tried it on two different occasions. I do not want any of this put in the paper. I wanted a moving picture machine for the high school. It cost
I did not know how to get the money so I thought if I could get the students of the school interested and get the debts placed upon individuals of the school we could pay it. I do not know whether it was legal, but we formed a joint stock company of the students of the school and gave them shares, one apiece and I guaranteed the payment of the money inside of six months with dividends paid every month. I bought the machine, sold shares and paid for it and got the machine working. I was sure that education by moving pictures was the proper thing in modern education and after six months work returned $375 to the pupils and $375 in dividends.

Q. But you had to use external credit to do that. You guaranteed the payment.
A. I would not need to have done so if the University Extension Department would have taken credit certificates, and they would have taken them. I did not want them to do it. I did not want them to carry over the thing. I gave them cash for it. I could have gotten it by, say, promissory notes for six months.

Q. Mr. GIBBS: I understand these basic dividends to the consumer represent the difference between the cost of the commodity and its sale price. Those other items, particularly wages, costs that enter into the commodity means these other items is the profit to the manufacturer. Is it not reasonable to suppose, then, that under this system the profit of that manufacturer finds its way into basic dividends and is issued to the consumer? Where is the profit of industry under that system? You stated you were not going to interfere with the profit system of industry.
A. No, you misunderstand me. So as not to interfere with private business, Douglas couples private business with a just price by selling goods to the consumer at a reduction in price which the state makes up to the retailer or wholesaler, whoever is going to handle that. The basic dividend is the difference that must be paid between wages and money paid out by commissions and so on, and the cost of the goods.

Q. Is that not equivalent to saying it regulates but does not stop?
A. I would call it a commission.

Q. Call it what you wish. Going back to the “A plus B” theorem, you base the whole argument on the Canada Year Book and allow the whole argument to rest on that. That statement is based on the fact that Canada must export more than she imports and therefore we must have a larger production to meet foreign obligations. You admitted that statement was correct? Will you explain “A plus B”?
A. It does not say must, it is “necessarily less than its national production.”

Q. Mr. MACLACHLAN: I maintain that is based on the fact we have foreign obligations to meet?
A. That is talking about income. Income comes from wages, salaries and so forth paid for the production of these goods. I would not think the income of Canada has anything to do with imports. The national imports of Canada, the “national exports of Canada” is necessarily less than the national imports” has nothing to do with that. If you wish me to go into this a little bit I can.

Q. We do not know about the “A plus B” scheme.
A. Major Douglas puts it something like this: I would say put all industry on the top here, and all capital invested in these industries beside them. You will have goods produced on this side. You have wages or money going to the people directly coming out as “A” and then there is a lag which goes back into the production of machinery and to pay for the running of the machinery which is used for replacing the plant. That lags and goes back as “B” so these goods come out as “A plus B.” You have to pay for that factory. As far as a year is concerned or ten years is concerned there is only “A” purchasing power to buy “A plus B” goods.

Q. Mr. ROSS: “B” is paid out largely in dividends?
A. It has to be retained in a replacement account.
an internal affair by which the people of the province can circulate some relationship by which goods can be distributed. The export and import trade would be the same as now.

Q. Would not the strain on your state credit house of issuing basic dividends be much greater provided the products of the country can be sold almost entirely abroad?
A. It has to be done now. All the difference is basic dividends are the only difficulty you have to face and when you have done that you have solved all the province has any interest in.

Q. You referred to the fact that if the Dominion introduced this scheme it might be faced with a considerable amount of powerful economic pressure from other countries. If Alberta introduced this scheme while the other provinces of Canada were not sympathetic to it we would have the same difficulty of similar economic pressure from other provinces?
A. There would not be anything to hinder trade between Alberta and Saskatchewan. They would be paid in Dominion notes.

Q. You spoke of it being rather difficult for the Dominion to bring it in on account of the pressure from other countries?
A. I was talking about the degree of opposition. There is bound to be opposition in any progressive movement.

Q. Would there not be the same pressure from other provinces unsympathetic with whom we have certain relationships, with regard to it?
A. That would hardly enter in. As far as payments are concerned they are made the same way.

Q. You say prices will control themselves; is that it?
A. Yes. Automatically prices are arranged by the amount of goods consumed by your consumer. If everything you produced were exported or consumed by the people, if production increased ahead of consumption you could reduce to get more consumed and thus eliminate by a just automatic price control that surplus that is spoken of.

Q. Your scheme would apply only to such goods as are consumed in the province?
A. No. If we sold wheat on the foreign market we have to sell at 40 cents and the farmer says it cost him 50 cents to produce, then the state will have to reimburse him 10 cents.

Q. Mr. ROSS: Will they get money by taxation?
A. That would be credit. They will increase his purchasing power.

Q. Mr. RONNING: Would this scheme be looked upon favourably or not by private banks?
A. I have no idea. I have spoken to some bank managers and they have told me it is a splendid scheme, but I cannot tell you what headquarters of finance will say.

MARCH 19, 1934.
Chairman: Mr. Claypool.

EVIDENCE OF MR. HERBERT BOYD, EDGERTON
(Official Delegate, Social Credit League)

Mr. Premier and Gentlemen:
I appreciate highly the privilege of attending before this committee of enquiry. I trust that Major C. H. Douglas, the distinguished leader of the social credit movement, will be able to be here in person at an early date.

I would preface my remarks with emphasizing the fact that during the last 150 years, and particularly within the present generation, the advance of science has brought us into a new age in the world's history based upon the use of solar energy, the machine age, which may now be designated more specifically as the power age. Consequently scientific progress compels us to make a wholly new orientation of our economic ideas. Some of the most brilliant minds of our time, such as the Right Hon. Walter Elliott, British Minister of Agriculture, in his recently published rectorial address at Aberdeen University, have shown minds open to this re-orientation and alive to its necessity. It will be absolutely necessary for us to clear our minds of all pre-conceptions and to be ready to absorb new ideas in the face of changing world conditions.

There is no need to recapitulate before this committee the problem with which we have to deal. It has been stated again and again in a thousand newspapers, magazine articles and speeches and is familiar to you all under the well-worn phrase of the “Paradox of Poverty Amidst Plenty.” We have been told repeatedly that this country is poor and heavily burdened with debt, to an amount to about nine billion dollars, and that what we must do for recovery is to work hard, economize and save. We believe that to be absolutely false. When I came to Canada 22 years ago and for long after, a very different picture was painted; a picture of a rich land, greatly blessed by nature, with immense wealth in her natural resources, and peopled by a vigorous, energetic and resourceful race. That, we believe, to be a true picture, in accordance with reality.

The social credit philosophy takes its standing on facts and asserts that any true accounting system should reflect facts. Finance should be the handmaid of our economy and should be the means of distribution of the wealth of the world. In other words, money should be the servant of business and not its master.

Three Chief Factors

There are three chief factors in our economic system—production, consumption and money. The basic factor is consumption, for all goods produced are produced to be consumed. Consumption is the sole aim of production. Every man, including every producer, is a consumer. As Ruskin said, “Consumption is the crown of production, and the wealth of a nation is only to be estimated by what it consumes.” The consumer, therefore, is the pivot of the whole system.

Time was, and not so very long age in human history, when production was the main problem, how to produce sufficient goods to satisfy the needs of mankind. Hence the chief concern of finance was the financing of the producer. With the advent of mechanical power the problem of production has been solved, and we are now able to flood the world with goods for the use of man, sufficient to raise the standard of living in every country to undreamed of heights. A veritable glut, for modern production has overtaken the machinery of distribution, giving rise to the so-called phenomenon of over-production. Not indeed that men do not need the goods. They do, but they lack the money, which is the sole title to purchase.

Turn next to the third factor, money. Though modern banking goes back a little earlier, we may date it roughly from the foundation of the Bank of England, 240 years ago. At that time, money consisted of coin. From time immemorial all over the world the creation and issue of money has been a crown function, part of the royal prerogative: in President Roosevelt’s words, “a high prerogative of government.” All coinage bears the king’s head as the symbol of sovereignty. When, with the development of commerce, paper money came into vogue, promises to pay gold on demand, since men demanded gold comparatively seldom, bankers found it possible and safe to issue paper up to five and ten times the amount of the actual gold, a practice which was very profitable. Then came the third step, the cheque system of credit-money. Neither gold nor paper currency was issued, but a credit was opened in the bank’s ledger, on which the customer operated by means of a cheque book, in the way with which we are all familiar. You will note that all three forms of money, coins, notes and cheque money or credit, are alike regarded by the law as money or the means of payment, and are embraced by the legal definition of money. The amount
of notes which may be issued is strictly limited by the bank act and the finance act, but there are no legal limits to the amount of credit which may be issued. There are practical limits, the limits of safety, for the banker is always under a liability to make payment in legal tender, although in normal times this is seldom called for. In practice, the ratio of credit to cash reserves is about 10 to 1, but it is often exceeded.

Now money generally passes into circulation through the banking system by way of loans to industry. These loans are made as credits to the producer, because the banker must be satisfied that the proposed production will result in a profit, in order to assure him that he will receive repayment not only of the principal sum advanced but also of the interest. Then the money filters through the channels of industry, and is distributed in the form of wages, salaries and dividends, payables to workmen, managers and shareholders, and thus reaches the pockets of the ultimate consumer as purchasing power. And from the consumer, the stream turns backward again through industry, until it reaches its original source, the bank, where the credit is wiped out or cancelled. Financing the consumer as such is a novel idea because there is no profit and consequently no interest to be looked for from the act of consumption. But that novel idea, consumer credit, is one of the basic planks of the Douglas system.

With this preliminary survey, we pass to the situation of the world today, abundance of goods of every description, coupled with dire poverty on every hand and millions out of employment, subsisting only on the dole or relief. While many causes have been alleged for this state of things, the war, war debts, extravagance, tariffs, maldistribution of gold and so forth, the basic cause, it is plain, is shortage of money or purchasing power. Production is most efficient. There is no lack of consumer capacity, but the means of exchange is lacking. It is equally plain that this has been brought about by what Gustav Cassel calls a policy of deliberate and disastrous deflation instituted by the banks throughout the world, in order to bring down prices. In Canada, we have been told by the Hon. C. H. Cahan, Secretary of State, in a speech in Toronto last November, during the four years, from September, 1929, to September, 1933, the staggering sum of $932,000,000 has been taken out of circulation, involving the restriction of the amount available for industry and business by about 40 per cent. Thus production and consumption have been thrown out of balance. The problem is how to bring them into balance again, to equate consumption with production.

The solution offered by modern statesmanship, under the guidance of nineteenth century finance, of this twentieth century problem, is what may be called the Procrustean method. You know the story of the old Greek robber Procrustes, whom Theseus slew. He had an iron bed and it was his boast that it would fit anyone. His method with the unfortunate victims whom he captured was to place them in the bed, and if they were too long he cut off the feet, and if they were too short he stretched them out till they fitted. Whence he derived his name, which means the stretcher. His method resembles that of modern finance, only now the bed is one of gold. Production is at present the victim, exemplified in this province by the wheat farmer. Listen to Henry Wallace, Secretary of Agriculture in the United States: "When in the modern commercial world you have no money, you go hungry even in the shadow of mountainous surpluses of food. Piling up a wheat surplus to three times the normal, as we have done in the past four years, makes more hungry mouths rather than less." It revolts common sense. Has it not occurred to any statesman that the bed might be lengthened, especially as the consumer, the ultimate victim, is a lusty fellow, with an insatiable appetite, but at present half-starved?

**Must Provide for Consumer**

I have already described the consumer as the pivot of the economic system, for production is only a means to an end, and the end is consumption of the products of industry. The essence of the Douglas system is that the consumer must be provided for. It looks at the facts and sees a world rich in goods and human beings in need of those goods, but a system of distribution which has broken down and is unable to distribute, because of insufficiency of purchasing power, or money, which is rationed in proportion to the quantity of gold. The reason is threefold: First, because all costs in the process of industry must be recovered in prices, but these costs are of two classes, (a) those which are payments made as wages, salaries or dividends, (b) those which are made for capital goods, such as buildings and machinery, as distinguished from ultimate or consumable goods, for raw materials and for repayment of bank loans and interest, and of these two classes only the first is distributed as purchasing power to ultimate consumer. Price must be equal to A plus B, but only A is available to purchase the product. Hence there must arise a chronic lag in purchasing power. This lag was disguised in past years so long as industry in the chief industrial nations was active in the production of capital goods, not only for their own development but also for the development of the less advanced nations, for during this period large sums were distributed as purchasing power, which supplied the means for the purchase of consumable goods. Now that nearly every nation is industrially equipped and the end of the age of expansion has been reached, that stream of purchasing power has dried up and the deficiency between prices and income which is inherent in the economic structure is fully exposed.

The second reason is the remorseless displacement of human labor by the steady advance of science, a fact which is so well known to every one that there is no need to dwell on it. That factor will progressively increase. Major Douglas has computed that if things take their normal course, without any startling new inventions to accelerate the process, out of an employable population in Great Britain of between 12 and 13 millions at the present time, by 1942 it will be possible to supply the people of the country with all the goods and services they can require for a much higher standard of living than at present with only one-third of the workers, thus leaving 8,000,000 unemployed.

Thirdly, because of the insane gold policy of the world and the policy of deflation which was put into force by the banking authorities from 1929 onwards, whereby loans were called in, credit issues were cancelled, and the money in circulation in the country was curtailed by a vast amount. I have already referred to Mr. Cahan's statement that it amounted to $932,000,000. It has often been said, that the depression was caused by loss of confidence. That is merely another way of saying the same thing, for deflation followed by falling prices destroyed confidence.

These consequences were predicted by Major Douglas 15 years ago. When he appeared before the banking committee at Ottawa in 1923, he used these solemn and prophetic words, "I am absolutely convinced that if you continue as you are now doing for any considerable period of time, you are heading for the most terrific disaster that the mind of man can conceive." At that time there was no apparent shadow on the horizon of the country's prosperity and men paid little heed to that fateful prophecy, which was destined to a terrible fulfillment.

The Douglas proposals consist of three features: (1) the institution of a national credit account, (2) the just price, and (3) national dividends. The last two I shall only touch on lightly, leaving it to my colleagues to discuss them more fully, and shall confine my attention chiefly to the national credit account.

The problem, as already mentioned, is to bring consumption and production into equation; we reject what I have called the Procrustean method, to starve the consumer and lower the standard of living, and to cut production to meet the effective demand, because it flies in the face of nature and science and is out of accord with facts. The reason behind this method is plain. The present monetary system is in the hands of a private monopoly, and is based upon gold which is scarce. That is to say, the monetary supplies of the country, being dependent on the quantity of gold in the country, which is comparatively speaking fixed, cannot expand with the growth and increasing production of the nation, and further, they are dependent on the movement of gold, so that if gold moves out of the country, the monetary supplies must be reduced correspondingly, which results in deflation. And deflation may also be decided on
as a set policy. A policy of deflation lowering the prices of the world’s real wealth, and bringing about general insolvency, raises the purchasing power of gold and the fortunate holders become enriched. That has been the settled policy of bankers for more than a century, as shown in the recent book, “Monarchy or Money Power.” The system has been made to work only by such means as the instalment system, which means a mortgage on the future, and especially by means of the ingenious device of issuing credit and creating debt to many times the amount of the gold base, thus erecting on a slender gold base a vast inverted pyramid of debt. The whole thing is unreal, and its unreality is shown in times of crisis when the pyramid collapses as for example on the outbreak of war in August, 1914. Then the British Government came to the rescue of the Bank of England by printing treasury bills and declaring them to be legal tender, in other words, by use of the national credit. The war was financed throughout on the national credit and it was not till 1925 that Britain, on the advice of the Bank of England, restored the gold standard. But only for six years. The logic of facts was too strong, and in 1931 the standard was again abandoned. Notwithstanding all that, the fiction is still kept up. Though gold cannot be used and is never seen, we were supposed to keep in the treasury vaults 40 per cent of gold as a backing for our paper. Now it is to be reduced to 25 per cent. There is nothing in the world to prevent its being reduced to 10 per cent or 5 per cent by international agreement. And mark you, that refers only to the note issue, which is only a small percentage, 2, 3 or 4 per cent, of the money of Canada. The vast structure of credit, perhaps 90 or 95 per cent of our money, on which our whole business is carried on, our cheque money, has no legal gold backing.

A “Dishonest” Standard

The gold basis has been condemned by eminent economists, by Sir Basil Blackett, who is a governor of the Bank of England, and by some of the most important bodies of commercial men. The London Chamber of Commerce has denounced gold as the most dishonest standard of a value in the world. For it is not stable. It is traded in as a commodity and bought and sold feverishly. One has only to recall the fluctuations of gold during the last year.

Therefore, we say that the gold basis must be discarded, as unreal and a fraud, and that the true basis of a monetary system should be a reality, the national wealth, the national credit of Canada. We say further that in the operation of the credit system, the banks have usurped the crown prerogative. I may summarize the argument thus: (1) the creation and issue of all our money is part of the crown prerogative, (2) the prerogative can only be surrendered or delegated by statute (Right Hon. R. B. Bennett in Hansard, p. 105), (3) the right to create money has been delegated to the banks under the bank act only in the issue of bank notes, (4) credit as used in the cheque system is money (Halsbury’s Laws of England is quite plain on that), (5) in point of fact, the banks do create and issue credit money, which, as I have said, forms 90 to 95 per cent of our money, (6) that power has never been granted to the banks by any statute and therefore as exercised it is a usurpation of the prerogative, (7) the exercise of this power by any private corporation is without legal warrant and consequently is illegal, differing only in degree and not in kind, from the art of the counterfeiter, (8) the power being inherent in the state, no statute is required to restore it to the state.

The public generally believes that banks only lend the savings of their depositors, that is, money already in existence, and the banks foster that belief. It is a popular delusion. It is beyond the necessity of argument, for the authorities are manifold and clear, that in making loans banks create deposits, that is bring new money into existence, and that when loans are repaid the money is destroyed, and that this is the chief instrument of the power and wealth of the banking system. It is by this means that the banks in England were enabled to declare dividends of from 15 to 18 per cent last year and that the bomb-proof fortress is now being built for the new Bank of England, to cost $25,000,000, with a kitchen alone costing $200,000.

State Should Resume This Power

Now the basic proposal of the Douglas system is that the state should resume the power, or, if you will, prohibit the banks from its exercise, and that the national credit instead of gold should be made the base of our monetary system. The present gold reserves should be taken over by the state for use only in the settlement of international balances. That will be done under the proposed Central Bank Act. Observe that there is no suggestion of nationalization of the banks. The banks would continue to operate as banks, but the creation, issue and control of money would be vested in the state and operated through a national credit authority.

The amount of the national credit will be ascertained by the department of statistics at Ottawa. I am informed that the necessary statistics are already available and if not, they can be readily completed. The national credit would consist of the whole assets of Canada, lands, mines, forests, fisheries, water powers, factories, etc., and also the commercial capitalized value of the population. On the basis so ascertained a national credit account would be established. The statistical department might require to be remodelled as the national credit authority. In subsequent stock-taking, all national appreciation and national depreciation would be allowed for, national appreciation would include all new production all new plant or machinery installed, and all imports; national depreciation would include all consumption of goods, all depreciation or obsolescence of plants, all exports. How much this national credit account would amount to, it is of course impossible for me to say. But it is certain that it would be greatly in excess of the total of our present monetary supplies.

Reverse the Procrustean Method

Now the problem with which we started being to equate the national consumption with the national production (it being understood that consumption includes all exports and all production all imports), it is clear that during any given period, the money in the hands of the community should be sufficient to buy the ultimate or consumable goods produced by the community during that period. In other words, instead of following the Procrustean method of restricting production to meet insufficient purchasing power, we propose to reverse the process and increase purchasing power to the amount required to absorb the entire product of industry, recognizing that consumption is the sole aim of all production. Hitherto, credit has always been given on the production side of industry, leading to an increase in costs through interest charges, whether the goods are sold or not, and this has been one of the causes of the lag between production and purchasing power. But it is at the moment when the goods pass over to the ultimate consumer, in actual sale, that the productive process finds its end fulfilled, and it is at that moment that we propose to introduce the new principle of consumer credit. That will necessarily increase the amount of money in circulation and would naturally lead to a rise in prices, or inflation, and we would be just where we were. Therefore, the second feature of the Douglas proposals here comes into operation—the just price or the price discount, both lowering the price. They are alternative methods attaining the same end.

I shall leave the detailed explanation of this proposal and the proposal of the national dividend to my colleagues, and shall here say only that the object of the just price or price discount is to operate as an automatic and scientific check on inflation, while increasing the purchasing power of the consumer. And as to the third proposal, the national dividend, I may say that it is intended to meet the displacement of labour by machinery. It recognizes that the fruits of scientific invention and the progress of knowledge are not the property of any small group of capitalists, but are the common heritage of generations of men, as knowledge is handed down from age to age; that they are what is known as the cultural heritage of the race, and that all men have a just claim to participate in them as rightful heirs; that every one has consequently a right to a dividend on the national credit account sufficient to provide the necessities of life, in adequate measure, without the stigma associated with public relief or the dole, which as
well as old age pensions, mothers' allowance and the like the national dividend would supersede; and that this feature may be expected to increase with the advance of mechanical power.

The Elimination of Labour

To sum up, it may be said that the proposals will solve the problem which now perplexes the world, and that by increasing purchasing power they will increase consumption and stimulate production to its full capacity, and thereby absorb unemployment in large measure, if not wholly. But we know that the elimination of labour is bound to grow with the continued application of science to industry. In the age we have now reached and in increasing measure in the future, the use of electrical power and new processes will enable the work of the world to be done by a decreasing amount of man-power, for we are now facing what Sir Frederick Hopkins, president of the British Association for the Advancement of Science, has called the age of leisure. The men so displaced will have to be provided for because unless their purchasing power is maintained, the products of industry cannot be disposed of and the machinery of production will stall. Such provision must be made as a natural right and in the interests of society itself out of the national credit account, and not as charity through taxation of those who continue to be employed. The old notion that work is the sole title of money, which has run through the ages, derived from the apostolic injunction in the age of scarcity, will disappear. In a scientific age when machines will do the work of 100 men, work cannot be found for all, that is work in industry or compulsory work. But leisure will not mean idleness, for men will have to learn how to use their leisure in nobler ways and in self-improvement. Money will no longer be regarded as a commodity, the monopoly of a privileged few, but as mere tickets distributed by the state to its citizens as the means of exchange. Next, as governments will use the national credit for financing, precisely as the banks now do, but without creation of debt and interest charges, we shall be able at no distant date to pay off government debts, thereby making an enormous saving in interest charges and enabling taxation to be substantially reduced. Indeed it is possible that in time taxation may be wholly eliminated, but I do not wish to be positive about that. And finally, except in these three features, involving complete control of the money system, the Douglas plan involves no nationalization of industry. Planning there may be, and some regulation of industry, but the minimum of interference, for it recognizes that the present machinery of production is highly efficient. While therefore aiming at a complete transformation of our economic ideas through the monetary factor alone it contemplates less dislocation of the existing order than other more radical proposals.

Foreign Trade

There remains to be considered the question of foreign trade. I must ask you to go back a little in history. At one time, it was illegal to export the king's money, the means of payment of the people beyond the kingdom, though the law was often evaded. Then, from I believe about the middle of the 18th century, financiers advanced the doctrine that money must be free to find its level by export to any part of the world, where it could earn the greatest profit, irrespective of any national need. Those were the days of the growing trade with India and the expansion of the American colonies through slave labour, and money flowed out of England to these profitable fields. Bankers and financiers adopted an international outlook. The world was their sphere of operations. Profit, not patriotism, was their objective. But Turgot, the greater comptroller-general of Louis XVI, and after him Napoleon, saw the danger of this doctrine. For the consequence was scarcity of money and hence dear money at home, with high interest rates, resulting in the crippling of home industry and poverty. With a home market incapable of absorbing home production by reason of lack of purchasing power, the goods which could not be sold at home had to be sold in foreign markets.

Napoleon, with the insight of genius, put the nation's activities in this order of importance: agriculture, industry and foreign trade. "Agriculture," he said, "is the soul, the foundation of the kingdom: industry ministers to the comfort and happiness of the population: foreign trade is the superabundance: it allows of the due exchange of the surplus of agriculture and industry. Foreign trade, which in its results is infinitely inferior to agriculture, was an object of secondary importance in my mind. Foreign trade ought to be the servant of agriculture and home industry: these last ought never to be subordinated to foreign trade."

At the close of the Napoleonic wars, the money power raised its voice and demanded repeal of the laws against the export of gold and silver, and that notes should be convertible into gold. For during the war financiers had acquired large quantities of paper money at low rates, and naturally they were anxious to convert it into gold with a resultant profit. Thus the gold standard came to be established in Britain. The rules laid down were: (1) that money must be free to find its level wherever the highest profits were attainable, whether at home or abroad, and (2) that when gold was exported, it should not be compensated by any increase in the money supplies at home. The result was that the export of gold caused insufficiency of money at home, with a consequent fall in prices and reductions of wages. "The basis of this system is starvation. The home producer is held all the time in a vice. He cannot earn profits unless he can produce as cheaply as his competitors in foreign markets. He must therefore cut wages or close down. But he cannot hope to dispose of all his goods in a market starved of purchasing power by reason of the low wages. He must therefore produce, as far as possible, for export. Thus a system the object of which in its beginning was to supply the needs of Englishmen (or Frenchmen or Germans) is bent now to a different object, namely, the supply of goods cheap enough to compete successfully in foreign markets. No country is allowed to live to itself; on the contrary, every country is played off against every other country, so that the rewards accruing to money may everywhere be as high as can possibly be obtained short of provoking violence among the wretched victims of the system."

That policy has ever since dominated our financial history. Without pursuing it further through the 19th century, I may say that, despite financial crises and panics, slumps and depressions, on the surface it appeared to work well. Britain with her invention of the steam engine and its application to factory production, led the world in the race. America was settling and harnessing a continent. It was an age of capital expansion. The whole world offered a field for the home manufacturer. We built railways and factories in the South American republics, India, Japan, China, everywhere. Where goods could not be taken, or were not wanted, in payment, the banks established credits, and bonds were taken and sold to the British investor. Everything looked lovely. But the end of the age of expansion has been reached. Every country is now industrially equipped and is seeking markets for its exports. And the rich export market open to 19th century Britain no longer exists. The banker's policy has reduced most of the nations to insolvency. While Canada puffs its chest proudly and tells the world it will pay every bond according to the letter of the contract, others have defaulted by scores, and the bonds held by confiding investors are proving to be so much waste paper. They have turned out to be free gifts to the foreigner. How much better if those free gifts had been made to the home population.

For what Major Douglas foretold in 1919 and through the subsequent years, has now come to pass. He said that under the rules of operation of the present financial system industry cannot generate sufficient purchasing power to purchase the products of industry. The only outlet for the unsold products is the foreign market. When economists speak of the need for enlargement of markets, it is foreign markets they mean, not the home market. But now foreign markets are contracting more and more. Every foreign market is being closed, and every nation is seeking the same end, to export its undesirable surplus elsewhere. As each nation is unable to purchase the whole of its home production, it obviously lacks purchasing power to pay for imports. Now, as economic causes lie at the root of modern war, this world-wide scramble for foreign markets leads straight to war, war which by its wholesale destruction is the great absorber. That is where our present system is driving us.
Under the system advocated by Major Douglas, exports have of course their place. But the prime emphasis is laid on the home market. Sufficient purchasing power should be available at home to take up all the products of home industry to the limit of real demand. Exports would be paid for by imports, and both would be taken into account in the formulation of the just price, exports being included in total consumption and imports in total production. Exports would be sold for what they would fetch.

Before leaving this question of exports, I may say a word on the extraordinary phenomenon of Japan within the last year capturing the Lancashire trade in cotton goods right on the doorstep of Manchester and also in other fields. There is the clearest evidence, though Japan has not acknowledged it, that what she has done is to take the Douglas principles of social credit and turn them upside down, using them not to finance the home market as they are meant to do, but to subsidize the exporter. By this means she can command the trade of the world, by underselling all her competitors. Apparently, the object is to pay for military supplies for the purpose of war. It merely illustrates the tremendous power and possibilities of these principles rightly applied.

If it be said, this thing cannot be done, to make the national credit the base of our money system, the answer is, it has been done. It was done in 1914. Before the war, bankers resting on their established dogmas, assured us that the war could not last long because there was not enough money in the world to pay for it. But the canons of finance fell silent before the guns of the enemy. Even in the Bank of England there was not enough gold to meet the demands on it. The gold standard was summarily suspended. The British Government, using the national credit, issued all the money required, and continued to do so through all the years of war. It was backed by the real strength of Britain in her national resources and the character strength of her people. That did not fail. But mark the use made of it. Though the bond of the British Government stood behind it, the money was issued through the Bank of England. Loans were floated. It was the same in Canada, the same in the United States. What of the manner of those loans? In many cases the savings of the people, real money, were poured in. But where the loans were subscribed by the banks, and where the money was lent by the banks to private subscribers for the purpose, as was done in countless cases, as many of those will remember, the money was created by the banks by drafts on the national credit. In all cases, national debt was created, for which we are now paying. The bank returns of that day tell the story. Their deposits were more than doubled, rising from one billion to over two billions. Most of you will remember too the ultimate terminal of those loans to private subscribers to the bonds. The farmer, on the urge of a patriotic banker, took a bond, the bank advancing the money, that is, creating it. But the farmer had to sign a note. When the note fell due and the farmer could not pay, the bank took over the bond. Thus in the end, most of the Victory bonds fell into the hands of the banks, and they still hold them and draw the dividends. So was the war financed, by the use of the national credit. And if that dread day should come round again, in the hour of national danger, the same thing will happen. If, therefore, in war, why not in peace?

Consider the development of this province of ours, this City of Edmonton, within the last 50 or 60 years, what they were at the beginning of that period and what they are now. What was once known as the great lone land, rolling prairie, unsettled, peopled only by the Indian and the buffalo, and a few scattered posts of traders, has by the labours of its pioneers, and thanks to its marvellous productivity, been completely transformed into a populous province of three quarters of a million people, with well cultivated farms, producing coal mines and oil wells, busy cities with stately buildings, warehouses and handsome residences. One has only to look at pictures of Jasper Avenue in 1880 and compare them with the magnificent thoroughfare of today. One has only to look at these parliament buildings, the hub of the activities of the province. This marvellous change has been wrought within this generation by our own people almost entirely with materials found here. At the beginning of this period, beyond the fur trade, there was no production. Now our products are shipped to the ends of the earth. We have created all this astounding wealth. But to whom does it belong now? The cold hand of finance has been laid on it all, finance, which produces nothing, but which issues financial credit based on our real credit and productive capacity, and covers all our wealth with a mortgage. Is it not time that a financial system which has led to such a result should give place to one fitted to reality?

Based on Sound Principles

Gentlemen, the system I have outlined to you may not produce a perfect world, but no system is perfect under monarchy, oligarchy, democracy, Fascism, Nazism or Sovietism. All have their imperfections, but I am convinced that this system is based on sound principles. First: that we must bring consumption and production into proper balance by equating them through increase of consumer purchasing power, and second: that to do this you must find some other basis than gold for our national money system, for gold has proved its incapacity to sustain the requirements of business in this twentieth century. Just consider this dispatch from London in Saturday's Journal: The German Reichsbank has lost nearly $12,000,000 in gold in a single week and metal backing of the bank's notes has been so reduced that banking heads talk of a moratorium on all German foreign debts. Switzerland is also in difficulties. Meantime, gold continues to pour into London at the rate of nearly $60,000,000 weekly. Gold comes from nearly every country in the world including Canada, but especially from Germany and France. How can any nation's currency remain stable under such a strain so long as backed by gold?

That is the result of the financiers' law that money must be free to find its level, and that it must be free for export wherever it can derive the greatest profit. We need to go back to the old laws prohibiting the export of the King's money out of the realm, because it is the means of payment of the people. Our dollar bill has no value outside of Canada, nor the pound sterling outside of Britain. If gold is to give value to those currencies, its export should be prohibited.

This principle forms the first plank of the C.C.F. platform, and it is sound. But where the C.C.F. platform is weak is that it makes no provision for the steadying of prices such as Major Douglas has devised in the just price. Increasing the supplies of money will inevitably cause a proportionate rise in prices. Further, the C.C.F. leaders say that they will give everyone a job. I quote from the Alberta Labor News: "The C.C.F. aimed to print money just like Bennett has done, only it would be used to put the workers into work at wages that would give them the necessaries of life." You know quite well that it cannot be done. Our U.F.A. members have been telling us at Ottawa (I refer especially to Mr. Garland's speech on the central bank bill) that industry will never be able to absorb the whole available labour. And yet displaced labour must be provided for. That is done by the national dividend. Both that factor and the just price are devised by the brain of a genius. The figures have been worked out for Great Britain, provisionally of course, for the exact figures will have to be based on exact statistics and worked out by accountants, but we know their capabilities approximately. I ask you to set that against the other panacea of hard work and thrift and tighten your belts.

Now this Legislature may not be able to put this plan in force in Alberta, for it touches the national money, which lies within the sole jurisdiction of the federal parliament. But it has a very deep stake in it, if for no other reason than it offers immediate relief from the burden of the provincial debt. And I do urge you, gentlemen, to study it earnestly, and to follow the example of the Government of West Australia which adopted a recommendation to the Commonwealth Government to make a thorough investigation of the scheme, seeing that the Commonwealth Government alone had power to carry it into operation. I would ask you to do likewise.
EVIDENCE OF MR. J. LARKHAM COLLINS, C.A., CALGARY

Mr. Premier, Mr. Chairman and Gentlemen of the Committee:

In making this submission I wish it to be known that I am not acting in the capacity of representative of any organization. That there is grave necessity of remedial measures being undertaken by Governments in general is evident from the lack of employment, the poverty and distress which still abound throughout the world. I do not propose further to enlarge upon a subject of which you are all well advised, especially in view of the fact that this aspect has been, and will be dealt with fully and competently by other witnesses. I will therefore proceed with some preliminary considerations of the plan itself.

Practically all serious opponents of the Douglas plan have fastened upon the "A plus B" theorem as being the weakest point in the structure and have either proved its fallacies to their own satisfaction or have become hopelessly lost in its intricacies. No doubt this latter portion would be my lot, were I to embark upon an explanation or criticism of this theorem. It is unfortunate that in its original enunciation by Major Douglas its interpretation was capable of such ambiguity as to cause confusion of explanation and criticism among both its exponents and opponents. I submit, however, that the "A plus B" theorem is not a proposal and does not have to be dealt with except as an abstract consideration. It is a basis of philosophy, or, if you will, a diagnosis. The members of this committee may be said to occupy the place of physicians to the body politic and what concerns them most is the cure and not the cause. It would indeed be most unfortunate if the patient were to die because the doctors could not agree on a diagnosis.

To the best of my knowledge Major Douglas has given out but one set of rules for the inauguration and carrying out of his proposals on a nation-wide basis. This is known as "A draft social credit scheme for Scotland," and was, I believe, predicated upon home rule for Scotland, and drawn up to the request of those interested in the Scottish home rule movement. It consists of practical instructions and regulations for instituting his plan in that country. In reply to a letter from me asking if this plan, with minor modifications, would be suitable for Canada, Major Douglas replied in the affirmative. I bring out this point to show that Major Douglas does not contemplate a dozen plans, every one of which would be different. He has one fundamental plan, the principles of which are applicable anywhere.

I realize that the draft social credit scheme for Scotland is a matter of record, and that many of you must be fully acquainted with its terms, so I will touch only upon the most important phases of that plan, being those which are also common to the remainder of Major Douglas' writings.

(1) The Socialization of the National Credit

This is a proposed measure which should surely commend itself to members of this committee. It involves, as its chief concomitant, the setting up of a national bank and the creation of debt free money. At this grave juncture in our national affairs, when the members of the Dominion house are giving so much consideration to this very subject, I feel it a great privilege to urge upon you, from the angle of social credit, the same views as were so ably expressed by the Hon. J. E. Brownlee, in the report of the royal commission on banking and currency in Canada. To my mind this is a matter of paramount importance, and I do not hesitate to say that the question of whether the central bank should be nationally or privately owned is the most serious problem that has confronted Canadians for many generations. One might go even further and say that no effort should be spared either by individuals or organizations in urging upon the federal house the necessity of the central bank being nationally owned. May I respectively suggest that the necessity for action in this matter is immediate, as a decision undoubtedly will be reached at an early date, and the views of the committee will carry weight with those in whose hands the decision rests.

(2) The National Dividend

The proposal here is that the State shall create and issue as debt free, enormous sums of money to the people at large. It embraces the abandonment of the gold standard both as a standard and as a basis for the issuance of money. Those entitled to share in the national dividend are every man, woman and child of approved length of residence, whose independent income does not amount to more than four times their share of the national dividend. In the plan for Scotland this sum was set at £75 per annum. I am informed by Major Douglas that in his opinion, a monthly sum of $30.00 each would not be too large in the case of Canada. It should be clearly understood that this money would not be borrowed from financial organizations but would be created by the state. You will realize that if put into effect this measure would at once mean not only a great improvement in the standard of living, but the demand for goods would put a stop to unemployment, at least for the time being.

It will be obvious to all that some method of recall of the national dividend would have to be devised, since it is a gift outright and not a loan. In a letter addressed to me, Major Douglas said that he much preferred not to lay down dogmatically any one method of procedure, as there were quite a number of methods by which redundant credits could be recalled, and that the point to be born steadily in mind was that the financial system should be an accounting system based upon physical facts and not upon money. I suggest, and am to some extent supported by the plan for Scotland that a suitable method of recall would be by income tax or other direct taxation. Since recipients of the national dividend would be assured of its payment as long as they lived, they would be under no necessity of saving it, and should the dividend gravitate into the hands of a few it could be repossessed, or the greater portion of it, by means of direct taxation. It will be recalled that in England during the war businesses were taxed 80% of their surplus profits in addition to a standard rate of 30% of their normal profits.

Unless some scheme of price control were devised one might expect that the issue of the national dividend would cause an inflation of retail prices to an extent that would possibly offset the benefits accruing thereby. This brings us to the third of Major Douglas' proposals.

(3) The Just Price

This proposal is a means of effecting price control. The authority for control is to be vested in the state and the means of securing it are to be indicative and not coercive. As the name indicates, prices are intended to be equitable and just, and the formula for arriving at them may be summed up as follows: "Retail prices shall bear the same relation to cost as consumption does to production." One of Major Douglas' epigrams is that the true cost of production is consumption, and the formula above referred to must be taken as containing the same meaning. If, for instance, consumption of a certain commodity were nine-tenths of production, then retail prices within Canada would be reduced by one-tenth. This ruling would, of course, have no bearing on prices obtained for goods sold abroad. In criticism of this measure it has been said that its effect would be to emphasize booms by lowering prices during periods of peak production, but this criticism is ill founded, because the effect would be regulatory and the end to be achieved would be to do away with boom periods altogether. In any case it is important to observe that price control is what is aimed at, and no doubt if it could not be achieved by one means, another would be found.

Such are the three most important of the proposals, very briefly touched upon. Others that might be of interest to this committee are those dealing with the reduction of the hours of labour to four per day, and the nationalization of such phases of industry as might appear desirable were the plan adopted.
Not Possible for Alberta Alone

With regard to instituting these proposals in the Province of Alberta, let it be said at once that the area of the province is sufficiently large, as is also the population, but in my opinion the judicial and fiscal situation of the province entirely prohibit such a course, and for the following reasons:

(1) The Dominion Government has the power of disallowing any provincial legislation which it deems to be an invasion of its own rights or unconstitutional. This power is used upon occasion, as for example in the case of The Mineral Taxation Act.

(2) The Dominion possesses all residuary powers not specifically vested in the provinces and in case of entirely new situations arising out of the operation of this plan, would have the deciding voice.

(3) The Dominion has exclusive jurisdiction over banking and currency and it would seem that the province has not the power of creating and issuing the national dividend.

(4) If the plan were adopted here it would be competent to the chartered banks to make representations at Ottawa that their functions, guaranteed by dominion legislation, were being usurped by the provinces.

(5) If the plan were put into effect in Alberta, there would be a great influx of needy people from other parts of the Dominion, who would wish to share in the national dividend.

(6) Although participation in the benefits under the plan are predicated upon a qualifying term of residence within the province, these people would still come, and would at least have to be kept alive.

(7) Endless difficulties would be encountered in carrying out the terms of the just price proposal. Would the transcontinental railway submit to control of their rates on their Alberta mileage, and what would be the attitude of the Board of Railway Commissioners? With regard to other national and international organizations, is it not probable that rather than submit to price control they would withdraw from the province?

These are but a few of the difficulties that occur to one in considering a provincial application of the plan, but they all disappear when one applies the plan to the Dominion. It is quite evident to me that petitions requesting the application of the Douglas plan should be addressed to the Dominion Government at Ottawa.

As regards the matters touched upon in this brief, I humbly petition this committee as follows:

(1) That if favourably impressed with the Douglas proposals, or such of them as have been alluded to herein, the Agricultural Committee of the Legislative Assembly of Alberta memorialize His Majesty's Government at Ottawa to that effect, to the end that a foundation may be laid for a broad, Dominion-wide social credit movement.

(2) That in view of the imminent arrival of Major Douglas in Canada, a select committee be appointed to receive and consider evidence from Major Douglas in person.

QUESTIONS AND ANSWERS—MR. COLLINS

Q. Mr. PAYNE: Have you any information about Major Douglas agreeing to come here for $500 less than the $1250?
A. Yes, I have some. I will get my file. There does seem to be some ambiguity about the amount of his expenses and as to whether they would be expenses or fees. I have a letter addressed to Larkham Collins, dated the 8th of September, 1933: “Thank you for your interesting letter of November 23rd. I attach hereto a copy of a letter written yesterday to Mr. J. G. McKay at Provost.” In his letter to Mr. McKay he says, “as I have Mrs. Douglas with me the expenses would be about $700.” That is all the information I have.

Q. Mr. BROWNLEE: Mr. Manning spoke in Red Deer and said that Major Douglas could be secured here for $500 less than what the province offered him.
A. Yes.

Q. Mr. BROWNLEE: You are familiar, Mr. Collins, with this pamphlet?
A. Yes.

Q. That book advocates the application of the Douglas system to Alberta entirely?
A. Yes.

Q. I understand that the Douglas Credit League has a general secretariat in London. Is that the case?
A. Yes, that is true.

Q. To your knowledge, am I correct in assuming that the general secretariat which presumably is in close touch with Major Douglas, has reviewed the proposal made as to the application of his system in Alberta?
A. So I am given to understand by the Dominion secretary in Canada.

Q. Am I correctly informed that after studying the proposal, the general secretariat in London disclaimed the proposal and came to the conclusion it was not practicable?
A. That is correct.

Q. Have you seen any of the correspondence which the general office in Toronto has addressed either to the general secretariat in London or to myself?
A. Yes, I have seen that correspondence.

Q. Have seen a copy. So that you have seen the letters from the general secretariat in Toronto in which they state that after investigation by the Central Committee in London they did not in any way approve of that proposal?
A. Yes, I have seen that letter.

Q. Mr. Boyd and yourself are the two accredited delegates of the Douglas System in Canada.
A. Mr. Boyd is the accredited agent and I was asked also to assume that position but I preferred not to, and I appear here as a private citizen.

Q. You would not be at liberty then on behalf of the league to say whether or not the correspondence to which I have referred could be laid on the table of this committee?
A. I have a letter from the secretary of the Dominion movement which says, “you can say you do not represent us but are fully acquainted with our policy and that you can confidently assert as our opposition to Mr. Aberhart rises from the fact that he does not understand social credit as propounded by Major Douglas.” That is from the Dominion secretary.

Q. Just one other question dealing with the general proposal. I rather came to the conclusion after listening to your brief that the state should issue a minimum basic dividend or national dividend to every one in the same proportion to their age; that you agree that has to be taken up in some way and that your proposal was possibly through income tax or some other levy of that kind could be made.
A. Yes, that is correct.

Q. It puzzles me, and I would like you to answer this if you could, just in what way does that differ from what we are doing now? The amount you have mentioned is the minimum allowance being given to all unemployed in the City of Calgary and the state is making that up by levying income tax on others. The only thing is, we are not giving that same dividend to those who otherwise earn money. If the state gives to all not otherwise earning a basic dividend, wherein are we differing from Major Douglas' proposal?
A. There is a wide and essential difference in the manner in which relief is being distributed and the proposal of Major Douglas. The essential difference lies
in the fact whereas money required to pay relief may be called borrowed money, the Douglas proposal is this, the national dividend or other state gifts shall be created and therefore not re-payable credit so far as issuing authority is concerned. It will not be borrowed from banks or other organizations and will bear no interest.

Q. That gets down to this: Any difference between what we are doing and what Major Douglas' proposal is, is absolutely a question whether we are making a levy sufficiently high to refund ourselves from current income of every person or borrow on the markets of the world. It is a matter of interest only. Quite naturally the magnitude of this proposal must be taken into account. If it is possible to distribute relief in the magnitude proposed by Major Douglas it would do away with unemployment entirely in this province. We are giving on relief more than you suggest as a basic dividend.

A. $30.00 a month does not refer to $30.00 per family, but for every man, woman and child who is not earning otherwise more than $120.00 per month, and when the wage earner is getting $120.00 per month or more it would not invalidate the remaining members of his family from receiving this dividend.

Q. That is, you extend the basic dividend even to wage-earners who are not receiving a certain amount?

A. Yes, and the consequent demand for goods would be so great that employment for the meantime—there would be no employment whatsoever.

Q. I do not want to monopolize the questions but to satisfy myself a little further. Am I correct in this, the whole idea then really is based on the theory that if the Government will spend money to put people to work or give them a certain minimum income, the revolving power of that money will mean increased prosperity?

A. That is true to some extent, but I believe the fundamental difference is that the state shall have the function of creating credit as Major Douglas stated many times.

Q. I would gather from both your paper and what Mr. Aberhart said yesterday that the question of a fixed price is just as essential a part of the scheme as the national dividend?

A. It would undoubtedly have to be so inside of the area the scheme might be applied to. It would be essential to consider whether the government of that area could put into effect the just price. I asked Major Douglas if the just price was an integral part of his scheme and he said yes.

Q. In a province such as Alberta, where a great part of the necessities of life are not, and cannot be, produced here because we have not the raw material, it is clear that we have no control over customs or anything of that kind, it is clear we could not exercise that function of price fixing?

A. That is my opinion.

Q. We could not make shoes in Alberta or many linens and clothing; linen goods are a foreign goods.

A. We could possibly do it, but the problem arises whether those on whom we impose these regulations would obey or would they prefer to remove themselves from the province.

Mr. BROWNLEE: We could only deal with the retail price of goods in Alberta and if the manufacturer is outside of the province we have no control over them and they can exercise free choice whether they will sell or not at the prices we may fix.

Q. Mr. GIBBS: I notice in connection with this national dividend that your statement makes it possible for every man, woman and child, without any qualification as to age or anything else, to obtain the dividend, subject to a restriction that anyone earning over $120.00 a month would not receive the dividend. Do I understand you rightly?

A. Let me read you from the "Plan for Scotland": "For the purpose of the initial stages an arbitrary figure such as one per cent of the capital sum shall be taken and every man, woman or child of approved length of residence in Scotland would be entitled to share equally in the dividend thus obtained, which might be expected to exceed £300 per annum." As to the applicability of that sum in Canada, on the 18th of July, 1933, I wrote to Major Douglas—as a matter of fact I asked him ten questions—number eight was: "Will the national dividend as estimated in the scheme for Scotland be found very much too large in the case of Canada?" and in reply he says: "I do not think so."

Q. $120.00 income justifies these dividends and anything beyond that there would be no dividend?

A. Yes, that is correct.

Q. Is there any restriction as to the use of these dividends, the things that one may or may not buy with them?

A. I am glad that question has been asked, as I am in a position to give Major Douglas' own answer. "Question 4: Will the national dividend have to be spent on food, clothing and shelter only, or may the recipient spend it on anything he chooses?" and in reply he says, "There is no restriction as to the use to which the national dividend would be put."

Q. Mr. FARQUHARSON: I assume the "A plus B" theory was necessarily an important factor in the plan.

A. That is what I was trying not to say. What I did say was the "A plus B" theory is the basis of the philosophy and not a proposal. We are not asked to put into effect the "A plus B" theory.

Q. Does Douglas not say that is the true statement of fact that he does build up his plan to take care of that situation?

A. He seeks to prove by the "A plus B" theory the lack of purchasing power and from that tries to create purchasing power.

Q. It does not necessarily follow his plan for securing that purchasing power might be false?

A. It might possibly be false but would not necessarily be false. Of course, one might have considerable difficulty in proving at this present time that there was a lack of purchasing power, but I think it is evident there is a lack of purchasing power.

Q. It might follow that some other plan might solve the problem just as well as the one of Major Douglas?

A. It is conceivable.

Q. Mr. GIBBS: Do you think that Major Douglas was in favor of nationalization of important industries? Would you elaborate a little upon that, as to why Major Douglas thought that nationalization of important industries would be necessary, and whether he uses nationalization as a substitute for socialization or is he inferring there is some real difference?

A. I have his own answer. I asked: "Are the Douglas plan proposals incompatible with public ownership of the means of production?" and Major Douglas simply says "No" so then we must take it there is no objection to nationalization of such phases of industry as would be necessary under the plan. As to the term socialization and nationalization, I rather hesitate to give my opinion as to the difference between them, but I believe we both mean the same thing.

Q. I do not think we do but we might. Apparently then, Major Douglas merely does not object to nationalization but there is nothing positive as to his attitude towards nationalization. I wish we could get a little more light on Major Douglas' attitude to this, some kind of control over industry as he seems to suggest.

A. I think I can give you that from the plan for Scotland. I would prefer not to give my own opinion because I realize Major Douglas is the authority. He says here, "the principle to be applied to essential services, water, light, heat, post office, transport, would be generally that of utility corporations..."
under charter, but in an economic system under which watering of capital and rigging of shares would be impossible. Payment for government services being made only in bulk, no charge to the individual consumer would be made, e.g., postal or transport services, if these were nationalized." I take it he means being payable by the people as a whole, by taxation or some other way "no charge would be made to the individual consumer, postal or transport services if these were nationalized," so apparently he envisages the possibility of transport services being nationalized. The first most important thing is nationalization of the credit of the country.

Q. Mr. FARTHING: That credit I take it is fiat money or created money?
A. Yes, absolutely; created money.

Q. In an export country would there be any difficulty in accepting your commitment and so on because you would have to meet that in gold or something of the kind.
A. I must again mention, which may not necessarily coincide with Major Douglas, that we have absolutely no control over the price of wheat in Liverpool, but take just what we get for it and I think it is evident we have no control over what values the other nations may place on our dollar. Our dollar may be valued higher or lower in other countries and that would have a great bearing on the price we obtain for our exportable goods.

Q. Would your issue of this fiat money so to speak—might that not tend to bring the value of your dollar on foreign markets out of all relation to foreign currency?
A. That is so. With this tremendous issue of money the dollar would depreciate on other markets. That is your question? I think there is that possibility though the ramifications of international finance are so vast that one even hesitates to venture an opinion as to what would be the effect of such a happening. The fact of our dollar decreasing might simply mean we could export more wheat. I will give you an instance; Japan with a depreciated currency is able to land pig iron into the United States at less than the Americans can produce it for, not to speak of the goods the Japanese made and landed in Manchester cheaper than the goods could actually be made in that city. That was to no small extent due to the fact the Japanese yen was depreciated.

Q. Mr. FARTHING: But this money is not negotiable. Would that not restrict credit to the extent that the slips would not be negotiable?
A. I would like to correct that idea. I will read you from the plan laid down for Scotland, in which Major Douglas says: "The dividend is to be paid monthly by a draft on the Scottish Government credit, through the post office and not through the banks." One would be at liberty then to either cash the Government draft or cheque which I presume would resemble pension cheques, or credit it to one's account in the bank.

Q. Mr. BROWNLEE: But do you use it for payment for goods at the store?
A. You could use it for goods, it would be negotiable to the same extent as any other draft is negotiable.

Q. Mr. PAYNE: To inflate currency has a tendency to increase prices and Japan has inflated currency but has not increased internal prices.
Q. Mr. McLellan: Is this scheme operated in Scotland?
A. This scheme is not operated to my knowledge anywhere.
Mr. McLellan: Not operating in Scotland would make me suspicious of it at once.
Q. Mr. BROWNLEE: What is the difference between this scheme and any proposal for straight inflation?
A. As I understand it, straight inflation does not usually contemplate price control. We have perhaps the best example in Germany and Russia during the war. There was an attempt at price control but not until inflation got out of hand.
Q. **Mr. BROWNLEE:** I suppose, Mr. Collins, that I may say that I quite agree with you in what you have just said and in any correspondence I have had with the Douglas Credit League it has been directed absolutely to find out whether or not in their opinion the scheme is applicable to the province and your opinion is really the opinion expressed to me in a letter by the secretary of the league in Canada, who says, "I would not like to say it is not possible of application to the province, but difficulties of provincial action are immeasurably greater than federal action."

A. Yes, I believe that to be true.

Q. **Mr. FARTHING:** Could this scheme be worked with more facility if we had two distinct systems of credit, a currency one for national trade and one for export trade? I am told some such scheme is in force in Sweden.

A. A scheme of that kind would be helpful indeed.

Q. The fact that Canada in proportion to the population, I think, is the largest exporting country in the world, would that fact make it more difficult for us to have two distinct systems of credit?

A. That is a question I would like to have a little time to go into. I hesitate to make an offhand decision.

Q. **Mr. GORESKY:** The plan, according to your assumption, would not entail any inflation or deflation. What would be the effect of this scheme as today we are in an apparent inflation due to the fact that we cannot get a reasonable price for our wheat abroad. What would happen to our national income when the condition became such that we could not sell our products abroad? What would happen to the national dividend?

A. You are assuming that we cannot sell our products abroad?

Q. Cannot sell them at a price we think is reasonable.

A. If you are unable to do any better than we are doing now under these conditions I do not think that is going to invalidate the plan whatsoever.

Q. I think the plan would be all right, but what would happen to the national dividend?

A. The national dividend could do no more than distribute the available production. It is true under this plan the available production would be enormously enhanced and I think we would all have a better time, but if there was no export whatever, we would merely be a self-contained country.

Q. If we are selling our products at higher prices, our national dividend will become larger and if we sell our products at a lower price the national dividend would then go down?

A. Yes.

Q. **Col. JAMIESON:** I presume the government would accept these drafts on itself in part payment of taxes.

A. I do not see much objection to it. I do not see there could be any objection to that.

Q. **Mr. GIBBS:** Can you explain from the Scottish scheme how the just price is arrived at? I have some idea from Mr. Aberhart there would be the payment of the same dividends to the producer in order to enable a just price to be fixed.

A. I think you misunderstood him. I understood him to say it was a loan. Now I think the actual wording is rather obscure, so perhaps it would be better if I tell you and just keep as close to Major Douglas as I can. The means by which price control is to be effected are as follows: I assume it would be arrived at by our very efficient bureau of statistics on consumption and production of any given commodity. If the consumption were nine-tenths of the production, which might easily occur at any time, then the price would be arbitrarily lowered by ten per cent, the reason being with the lowered price the expectation is that the other one-tenth of the goods would be removed from the market.

Q. **Mr. BROWNLEE:** Going back to one of the fundamental theories, and I am asking now solely for information, I am not quite clear in this that this social credit, in whatever form it is issued, has to be made up in some manner or other. I took up that with Major Douglas and am glad to give you his own reply. He says: "I much prefer not to lay down dogmatically any method of procedure by which this can be done. There is a number of methods by which redundant credit can be recalled. The point to be borne steadily in mind is the financial system should be an accounting system based upon physical facts and not upon money." You will no doubt grasp the fundamental distinction.

Q. If all the people in this room should each get a national dividend cheque, unless there is some method of refund, some person has to stand a loss?

A. Unless there is some method of recalling it, yes. I think if there should be a recall or cancellation of some kind then we would undoubtedly have inflation no matter if we had price control. One could not keep pouring into the blood stream gigantic amounts of money without that effect. That is realized by Major Douglas and quite a number of methods occurred to him.
Q. In other words, you have an alternative between a steadily increasing inflationary method or some scheme of refunding based on a levy of some kind. Some scheme of refund. There must be one of these alternatives for if there is no refund every year there will be a constantly increasing inflationary progress. There has to be a refund by some scheme of levy.
A. Some scheme of tax.

Q. If we assume from the experience of other countries that the first alternative may be an unhealthy one, do you not get down to this point that the power of refunding depends entirely on the extent to which the state can tax the citizens whether income tax or some other tax?
A. Yes, but this is provided for. Although the state is expected to tax the major part of the state's gift back again, it would in the first place have given them out. They would be there to be taxed back.

Q. The only method of refund is taxing existing wealth of some kind so the state must be limited to the extent to which it can carry out the scheme, by the ability to tax existing wealth?
A. That is my opinion, and it is borne out by Major Douglas himself, who says: "Any taxation found to be necessary would take the form of a flat non-graded tax upon income, or an ad valorem sales tax or both. The latter would operate as a slight abatement of the price discount."

Q. Will you explain the answer you gave me some time ago. Assuming the state is going to issue some form of credit, whether by currency or in whatever way, do you say it is preferable to issue it as a straight gift rather than expect the recipient to do some work? Why do you say it is better to issue straight credit or a straight gift than through a works programme? In the one case you have something resulting from the given money and in the other you have not.
A. In the one which envisages a public works programme, that would have to absorb all these millions and millions, we would soon arrive at a point where we would not need any more public works. Our capacity to absorb them might be limited and one would hardly expect women and children, beneficiaries under this scheme, to be able to contribute. So it simply becomes a question to the extent to which public works are needed. That is not the Douglas proposal.

Mr. BROWNLEE: No, but I am trying to find out what is wrong with that.

Q. Mr. FARQUHARSON: It was suggested a while ago you would increase prices. How are you going to do that? You have a board set up to fix prices. How will you increase prices?
A. I am not sufficiently informed as a lawyer or a legislator to tell you that, but you have been able to fix prices on some commodities in the province, and I think it could be done throughout the Dominion by legislation.

Q. That would be effective control anyhow?
A. Yes.

Q. In giving these national dividends, they go to certain people with a limited revenue; that is true is it not?
A. Yes.

Q. In order to cancel these dividends and take them out of circulation, because they were put into circulation, they can be taken out by way of taxation on the taxpayers of the province?
A. I want to be clear. I have already read you Major Douglas' letter and I want to go on record as saying the idea of the income tax is not necessarily the Douglas scheme, but it has occurred to me as a proper way of adjusting the thing. The point I want to get at is that these dividends sent out to people not receiving a certain revenue are taxed back to the state from the taxpayers of the state, who can pay taxes. Is that clear?
Q. Yes.
EVIDENCE OF PROF. ELLIOTT  
(University of Alberta)

Prof. ELLIOTT: I should like to know first whether it is your pleasure that I should comment on the various plans that have been suggested, or whether I should confine my attention to one of them. It seemed to me at any rate when I was listening to the plans being presented that there were different plans being presented.

Mr. LOVE: So far as the plans brought before us, I think you should comment to the committee; if you can see two or three plans, I think you should point that out.

Committee agreed.

Prof. ELLIOTT: May I suggest first that we are all of course concerned in the distress occasioned by the business depression and we all admire those who seek a remedy. The economist is chiefly concerned with matters of method; what effect certain proposals probably would have, and in order to discuss the facts of the proposal, the proposed methods must themselves be put in a very specific way. The economist too is concerned with an analysis of what takes place in the economic world and bases his judgment on such an analysis. I have read a number of Major Douglas' works, and as Mr. Collins suggested, he bases his analysis of how things take place on what has been termed the "A plus B" theorem, which leads him to believe that there is a chronic deficiency in purchasing power in the consumers' hands. Not only a deficiency now and then, but a chronic one. He is quoted as saying in the "New Age," April 6th, 1933, page 271: "I propose to rest on the fact or otherwise of this deficiency and the chronic deficiency is supposed to be demonstrated by the 'A plus B' theorem." One would suppose then a discussion of Major Douglas' proposal would necessarily include a demonstration of the "A plus B" theory. As was pointed out yesterday, Mr. Aberhart bases his proof of the deficiency of purchasing power on a sentence in the official Handbook of Canada, published in 1934. I checked this quotation and the sentence is in the Handbook: "The national income of Canada is necessarily less than its national production," but the remainder of the paragraph, which I shall ask to be permitted to read, shows clearly that by national income is meant not the amount of purchasing power in the hands of the consumer, but the net value of the product by Canadian industry and of Canadian production. The paragraph is:

"The national income of Canada is necessarily less than its national production, a total for which is suggested in the general survey of production above. However, the industries there included engage only two-thirds of those gainfully employed in Canada. As there is no reason to suppose that those not connected with production as there defined are less 'productive' in the broad sense of the term than others, the total value of the net production of 1930 must have been not less than $4,800,000,000.

"In order to arrive at the figure of national income, however, certain heavy deductions from the above amount must be made—deductions especially connected with the maintenance of the industrial equipment of the country—providing not only for depreciation but for obsolescence and replacement by new and improved apparatus of production. Altogether, the charges under this head may have been not less than $400,000,000. This would leave the 1930 income of the Canadian people at somewhere in the neighborhood of $4,400,000,000."

May I repeat these figures. The total value of the national production is four billion dollars. The amount of that production which was divided not to production of consumers' goods and increase in capital equipment, but to the replacement of capital equipment was 800 million. The remainder, that is to say value, of the retail products produced, plus the addition of capital equipment, is valued at $3,700,000,000. This obviously is not an estimate of the amount of purchasing power in the hands of consumers in 1931. It leaves us without any proof of a chronic deficiency of purchasing power. The analysis of the economist leads him to conclude sometimes there is too little purchasing power and sometimes too much. However, as Mr. Collins suggested, it is quite possible to consider a plan on its own merits irrespective of the analysis on which it is based. I shall point out as nearly as I can what would probably be some of the effects of the plan Mr. Aberhart proposed, as I understand that plan. If I am guilty of misinterpretation, I hope that will be pointed out and that I will be forgiven. The first step in Mr. Aberhart's plan, as I understand it, was to retire the outside debts by inducing property holders in Alberta to transfer their holdings of money for outside property in return for bonds.

Mr. ABERHART: That is not right. The amount of money is the savings in the banks of the province. Bonds would be offered to the citizens of the province that they might transfer their deposits in savings banks to the government so the government would have a working capital in order to carry on. There is no suggestion that any real estate should be passed over to the government or any industry, but as I understand Major Douglas' book, he is not in favor of government ownership of the constructive industries of the country. He does not suggest any property, just savings bank deposits should be an offer made to secure these in the savings department of this government as you have now under savings certificates.

Prof. ELLIOTT: Thank you very much. The point that I would make here is that Alberta is the debtor part of a debtor country so that while the savings deposits would serve to pay off some of the outside debts, they would not pay off the many indebtednesses of the farmers; for in truth where mortgages were owned by individuals outside the province, to mention only one item, in the debts which owe to individuals outside the province, there would not be sufficient in the savings bank accounts even if the owners of these accounts could be induced to transfer their accounts to the Provincial Savings Department.

This point is important with respect to the possible effect of the issue of the credit loans on basic dividends. The immediate effect of the issue of the credit loans on the basic dividends would be that the consumers would be able to purchase more, but as was pointed out in discussion, we purchase a great deal of what we use from outside the province, and we sell a great deal of what we raise outside the province. In consequence, there would be a rush of consumers to use their new purchasing power to purchase things outside the province, through the local retailers probably. That would mean the local retailers would bid for non-credit money to make payment to the outside and the price in turn of the Alberta credit units of this outside money would probably rise very rapidly. This would mean those still having debts to be paid outside would require, in order to purchase money with which to pay these debts from outside, a great many of the Alberta credit than the face value of the debt in the outside funds, that is, the non-Alberta credit Canadian dollar.

It was agreed that the basic dividends would have to be taken back by the state credit house, or at least a portion of it might have to be taken back by the state credit house or the province and this was agreed to by Mr. Aberhart and Mr. Collins in order that when the cycle began again we might start with a clear sheet. If the basic dividends were not taxed back, as Mr. Collins suggested, it seems there may be a cumulative inflation with prices rising rapidly and more rapidly each year because in order to give the new year the same in every case to those receiving the basic dividend, there would need to be a larger distribution of basic dividend unless the prices were controlled. I shall consider that point later. If, however, the prices are controlled and the credit is retired by taxation or by some other method of taking it away from those who have it, then there is no necessity of inflation except perhaps for the time being. The first year it is quite possible that business in Alberta might be improved somewhat, but that would be a temporary thing and would take place only in the first year.

Now with respect to this method of using taxes to control the amount of credit in circulation, two points arise. One is the point on which Mr. Brownlee questioned Mr. Collins this morning, that is, the question of the advisability of increasing taxes in Alberta to the extent of the basic dividend issued each year. The question was rather fully dealt with in discussion so I will simply mention
it and pass it by. In the second place, the method of using taxes for the amount of circulation media whether credit or money would be a rough and ready method and liable to be less satisfactory as a method of regulating the general level of prices, that is, trade would make a volume of credit to correspond with the requirements of trade and is even our present method, which is admittedly unsatisfactory.

Now with regard to the method of price control to be adopted, I am not certain again whether it is proposed that the price of each particular goods shall be set by a central commission not at a particular time. Is it the plan that the price of each particular goods will be set by law, as Mr. Collins suggested?

Mr. ABERHART: I judge so by the government commission.

Prof. ELLIOTT: If the price of each good is set by law and if the producers of all goods are guaranteed costs plus a fair commission, then it would appear that the producers would have no incentive to produce what the people of the country want to buy rather than something else, or to adopt the most efficient methods of production. It would seem to require some controlling agency should be erected to control the wholesale productive process, to control what things should be produced and in what quantities and by what method. There is no provision so far as I can gather in either Mr. Collins' statement or Mr. Aberhart's for the setting up of a commission with these powers. There is one other point it seems to me on which there was considerable difference between Mr. Aberhart and Mr. Collins, but again I may be misunderstanding; that is in the matter of the cancellation of credit that is not used a year after they are issued. Before discussing that point I would like to know whether consumer's credit, or the balance in consumer's account is to be taken away, shall we say a year after the distribution of the dividend is made? If the dividend is first distributed on January 1st, 1934, is it part of the plan that the credits be cancelled, amounts remaining in the consumer's account be cancelled on January 1st, 1935? Would that apply to retailers, wholesalers and producers' accounts? I am not clear on that point.

Mr. ABERHART: I am willing to let you have any information I can, Prof. Elliott. It would not be on January 1st of the following year because will you have time to clear the account? The whole system is equal production and consumption and if you allow purchasing power to be obtained by the workers, these dividends in these accounts at the time when the goods are on the market for consumption you immediately have a cessation in the flow of credit and there should be action taken in the province at least for which I am arguing, to see that the flow is kept going and the proper method would be that accounts at the state credit house must be cleared out within a reasonable time. That would be kept cleared out by purchasing government bonds if the party wanted to retain a certain amount, to shift the amount of the collection to a future date and give the government the right to distribute that amount of credit to those who would purchase the goods.

Prof. ELLIOTT: These bonds are non-interest bearing?

Mr. ABERHART: No; the bonds would increase the basic dividend by four per cent, the same as the man who puts his savings in.

Prof. ELLIOTT: In that case it would seem that either the province must issue an amount of bonds each year equal to the basic dividend, or else that purchaser—or else those with large balances in their account—would not be able to purchase these bonds. This credit is placed on the books, but it cannot get them. It is there in the books. It may be transformed from hand to hand but it cannot disappear until it is cancelled. The question arises of course as to whether that is a desirable method of financing the province or not. I am not entitled, I think, to express an opinion on that point. If, however, on the other hand, bonds to the amount in question should not be issued by the government, the possibility of a ludicrous situation develops. Around about a month before these balances were required to be cleared up in the first of the year I should expect individuals to try to buy things to get something for these balances which would disappear if they were not used. I would expect the sellers would probably have the same feeling about it and if they felt they could not themselves get rid of the credit before the time set that they would refuse to sell the goods for the credits in question and that those in the unfortunate position of not being able to buy things with their credit would make a New Year resolution that they would not be caught in that fashion again and in the next succeeding period the attempt to get rid of credit and the refusal to sell would probably start earlier. I do not know how long it would take before that process would be carried forward to the beginning of the year.

Q. Mr. ROSS: What would the question then be?

Prof. ELLIOTT: Who would furnish you with the wherewithal if you offered credit that could not be used the next morning? Yesterday, in Mr. Collins' evidence, it differed from Mr. Aberhart, I think, I have very little to say. The presentation was made in a general form and the economist is especially interested in specific means and ways of doing things.

The statement with regard to the price control and the necessity if one had price control of each particular commodity and the guaranteeing of costs and fair profits to producers is the same in Mr. Collins' plan as I understand it was in Mr. Aberhart's. The same considerations apply. If you were going to have directed production at all you would have to set up a directed planning managing commission.

There remains the "A plus B" theorem. I am prepared, if the committee think it necessary, to present what I think is the orthodox point of view concerning the "A plus B" theorem, but from the evidence given it seems to me it was not considered an important part of the proposal and I doubt whether any useful purpose could be served by discussion, more particularly if there is no one present who would criticize my interpretation of it.

Q. Mr. FARQUHARSON: How long would it take you?

A. Probably an hour, but I do not think it would be any use discussing it in a haphazard fashion.

Q. Mr. BROWNLEE: Do I understand from Major Douglas' writings that the "A plus B" theory is a fundamental part of it?

A. I think so. I read an extract in the "New Age" which refers to the dividend... The opinion is the reason he assumes there is a chronic deficiency in the A plus B theorem and I have no information from Major Douglas to start with.

Q. Mr. GIBBS: In regard to the chronic deficiency of purchasing power, would it not be fair to say this the deficiency varies in accordance with the putting of purchasing power, in accordance with expansion of capital goods? The deficiency is less when capital goods are being constructed in the country, when expansion of that kind is taking place and greater when you come to a period when there is not so much capital goods being purchased. The second point is in deficiency a question of lags. That effective purchasing power does not seem to be in a place where it will be used as purchasing power. Is that not one of the things which are involved in this question of deficiency?

A. In respect to the first question, it is surely true during periods when capital equipment is being expanded there is a tendency for more purchases to be made and later for prices to rise. That is my own statement, not that of Major Douglas. With respect to one question, Major Douglas mentions the deficiency of purchasing power in the hands of consumers, whether rich consumers or poor consumers. There was one effect the proposed distribution of basic dividends and drawing in of the funds by taxation which probably I should have mentioned, and that is, it would probably tend to diminish inequalities of income within the province of Alberta because a tax levy is presumably on those who can afford to pay them and payment would be made to those who had a small income but that method of re-distributing income is open. I should suppose, to the idea that they would resort to the sharing of credits.
Q. Mr. FARQUHARSON: Is the statement which Mr. Gibbs made true, it is probably mal-distribution of purchasing power rather than deficiency?
A. I should say the rich receiver of income spends his income equally with the poor receiver of income. Dividends or profits paid to the receiver of dividends or profits would be spent just as wages and salaries will be spent.

Q. Mr. GIBBS: There is a potential payment that does not always express itself as purchasing power. Under our present system you have every year enormous potential payment to demand goods and services, but that right is not exercised because people are not physically capable of exercising the rights they have. Is that a wrong idea or is it correct?
A. If Mr. Gibbs means that all of us have not all we would like to have, and that we have not the money to buy what we would like to have, and justified in having, that statement is true; what we think we are justified in having.

Q. Supposing a small group of these people have a large power of demanding these goods, I say under the present system that is the fact, but the great majority of people, while desirous of using these goods, and while these goods are presumably produced for use, yet due to the fact they have not this purchasing power, they do not use the goods and consequently you have an apparent over-production of goods on the one hand and piling up of potential demand for goods on the other.
A. I think that clarifies the question considerably. It is true those who have the purchasing power will demand the goods they want. If the purchasing power is concentrated in the hands of a few there will be no demand for goods the many want unless the many have purchasing power. There will be a demand for the goods they want and those goods will be produced and purchased by the few.

Q. Here is the second thing. You stated there might be under the Aberhart system a temporary improvement in business in the first year and not afterwards. Will you kindly explain why it will not manifest itself in other years?
A. In other years amounts equal to basic dividends will be drawn by taxation, or some other form, simultaneously being paid up, and the effect will be the same as though now we levied taxes on income, additional taxation, and used the funds we get to provide payment to those whose incomes are now small.

Q. It seems to me what will happen is a readjustment of purchasing power each year so it will get into the hands of people who want goods and they can purchase them. What will happen is you take it from the people who do not need purchasing power, take the surplus, and redistribute them to people who need purchasing power.
A. There will be a redistribution of purchasing power; some will be drawn in and the same amount will be issued. There will be no need of increase. It will mean in the terms of Mr. Gibbs' former question that those now receiving the larger income will be able to demand the goods they want and those whose incomes are decreased by taxation will not be able to demand as much of the goods that they want; that is to say, there will probably be a rise in the demand for necessaries and a fall in the demand for luxury goods provided we can distinguish between necessities and luxuries.

Q. Mr. FARQUHARSON: At a time when there is a sufficient amount of money purchasing power in the hands of all the people can it be said—and I think it is recognized that a sufficient amount of money does not buy all the goods required by all the people—do you recognize the fact that there is probably a wrong distribution of purchasing power?
A. Will you explain what you mean by wrong? Do you mean such a distribution of purchasing power as must be wrong in some moral sense of the world?
Q. Wrong in this sense: All of the people are not able to purchase their requirements as against the goods that they produce themselves. The purchasing power they have does not provide them with sufficient power to buy back the goods they have already purchased.
A. I do not know that that makes your question clearer in my mind. At times it is true the goods which are produced cannot be bought back at a price to cover their cost. The present is one of those times. At other times prices rise and goods can be bought back at a profit. It is true also that some people are poor and others rich. Some poor people work hard and some rich people do not work as hard.

Q. But without a sufficient amount of money to purchase could we expect them to be produced?
A. One reason the goods are produced is prices are rising and merchants and others stock up their inventories and are expecting to get a profit when production proceeds more rapidly than consumption; that is what Mr. Collins referred to when he mentioned a criticism that had been made of the Douglas plan. During a depression, when there is a deficiency of purchasing power, more goods are consumed than are produced. Our inventories are being depleted, our machines are not being replaced, and consumption is proceeding more rapidly than production, and in a period when there is deficiency of purchasing power.

Q. Is that a general surplus or a surplus in one section?
A. There probably never is a time when all the people have all the money they would like to have, but it is true there are times when individuals in the aggregate, no matter how that is divided, how the total purchasing power is divided, when individuals in the aggregate have more money than is sufficient to buy the goods that are being offered for sale at the current rate of prices and in that case the price of the goods will tend to rise.

Q. Prices of goods rise?
A. When there is a surplus of purchasing power, and by a surplus of purchasing power I mean there is more than sufficient to buy the goods offered for sale at current prices; when that is the case, prices will tend to rise.

Q. Mr. BROWNLEE: Will that surplus of purchasing power show itself in savings accounts?
A. Current accounts are increased rather than savings accounts and the facility of circulating increased.

Q. Mr. RONNING: Do I understand that you disagree with the conclusion of Major Douglas which he draws from the "A plus B" theorem that there is a chronic lack of purchasing power?
A. Yes.

Q. Would you agree after looking at the question from the point of view of human need that we at least have mal-distribution of purchasing power?
A. The economist is concerned with method and probable effect. If you will permit me to drop the role of an economist and speak to you simply as a citizen I will answer your question.

Q. What is an economic system for if not to meet human needs? Should not any economist be concerned with that?
A. My answer to your question, which is really a question of ethics rather than economics, is economists are concerned with what is right and what ought to be rather than a discussion of what is. I would like to see a greater equality of distribution, particularly if it could be effected without decreasing, or by increasing as well the total product to be distributed. That seems a very common sense point of view.

Q. About the question of whether it is a matter of ethics or economics, if an economic system is inadequate and that inadequacy is due to mal-distribution of the profit system, do you not think it is a question of economics rather than ethics wherein human need is satisfied by an economic system?
A. To decide whether we like a result or consider whether results are right is a question of ethics. The consideration of the relation between the existing
situation and the effect, whether good or bad, whether you like them or not is economics, but I do not think any useful purpose may be served by trying to make that line too distinct.

Q. Do you feel there is mal-distribution of purchasing power under the present profit system?
A. Again my answer would have to be the same as I gave, I should like to see greater equality of income provided that was not accompanied by diminution of the aggregate real income. I mean I would like to see goods more evenly distributed provided that were not necessarily accompanied by decrease in the total of production to be distributed.

Q. Mr. GIBBS: If an automobile was made and would not start on the road, it would not merely be a question of like. If the automobile would not work we would take the thing apart and there would be a readjustment. We ask you as the engineer of this system whether or not it needs readjustment. The thing has stalled.
A. Take my opinion as a citizen that I would like to see depression abolished. Yes, I should say as an economist that changes should be made.

Q. Mr. ROSS: Don't you think possibly one of our great troubles is too great a percentage of the purchasing power of the people is invested in capital goods to produce more consumer goods?
A. There may be, as Cairnes suggests, such a high rate of interest at any particular time that more funds are being saved than are being invested. That is one point of view held by economists.

Q. That is saving purchasing power, not spending it?
A. The position you outline I believe is one which closely approaches that held by Hobson, that what happens sometimes is too much capital goods is produced because of the fact that incomes, too large incomes, are in the hands of those who invest in capital goods rather than consumer goods. I would suggest if that happens then there will be a tendency for the income from these capital goods to diminish and in consequence there will be less inducement to invest in capital goods. The income from these capital goods will diminish if the price of consumer goods falls more than . . .

Q. Mr. FARQUHARSON: Does the investment of capital goods eliminate that money from its flow into the hands of the purchaser of consumer goods?
A. For the time being what happens is that more income, more funds, are devoted to buying capital goods and less to buying consumer goods. The price of capital goods will tend to rise and the price of consumer goods to fall. There will be some depression in consumer trade and a boom in capital goods, particularly, there will be a boom in the production of capital goods away from the production for the time of consumer goods. Of course money paid for capital goods will be paid out again to the owners of factory production, who are purchasing the new consumer goods in wages, rents and so forth.

Q. That is available immediately for purchasing consumer goods?
Q. Mr. ENZENAUER: You made the statement during the period of depression there was an increase in consumptive goods and a decrease in production?
A. No.
Q. Yes.
A. Not unless I mis-stated myself. I said in a period of depression such as the present consumption proceeded more rapidly than production and inventories being depleted and equipment being allowed to run into disrepair.
Q. Will you restate the reasons that cause that particular phenomenon?
A. It would take me some time to state the theory of the business cycle.
Q. Do you think these cycle fluctuations could be improved upon?
A. Yes, I believe a more effective control—for instance, the extension of credit by central bank institutions—could do something to diminish these erratic movements.

Q. Could that be made more effective through credit control or industrial control; which is the most effective?
A. I would not like to hazard a guess as to the proportions myself. Pigeon places the relative importance of monetary, as compared to other sorts of control, as 30 per cent monetary and 70 per cent for the other factors.
Q. That is, the two controls must run parallel. You would not segregate one and say that would meet the situation?
A. Not wholly. The application of one in a reasonable manner might help the situation, but certainly would not completely remove the business cycle.

Q. Mr. ROSS: Is it not true this further investment in capital goods is to a large extent devoted to the production of machines and therefore not placing the men back to work, but substituting investment of purchasing power for producing the machines and replace men, and secondly, when it does get back to work it is not taking up the slack in the idleness of men?
A. I believe I am answering that briefly and therefore necessarily vaguely in this way: The goods people consume may be produced directly by labour or the effects of production may first be used for the production of machines. In the meantime, someone is waiting for some lines. He could have more if the factory was used all the time in producing consumer goods instead of using part for machines so what happens with the increased use of machinery is this: The factors of production are applied less and less directly. There is more of the labour used in producing and repairing machines and less used directly in making consumers' goods. There is strong evidence to suggest that this interpretation may be correct. It is true in the 19th Century, while there did occur very occasional business crises on unemployment, on the whole the population of those countries most rapidly adopting machines increased and the numbers of employed in these countries increased very rapidly simultaneously with the adoption of machine methods of production.

Q. Mr. MATHESON: In an age of plenty, one would think that the function of finance is to finance consumption?
A. What do you mean by an age of plenty?
Q. When we can produce more than we can use?
A. I can conceive of no such state of affairs.
Q. There is no such condition in our present day?
A. Our production equipment was being used almost at capacity in 1928 and 1929 and I am quite sure, and I speak personally, we did not have all the goods we would like to have, but . . .
Q. But they were there for you to get?
A. But we have purchased and produced to the capacity of the thing used and consider how many persons were in the same situation as myself. I would like to have had a little better clothing as it was in my case, or a better automobile would be goods that a richer man could use.
Q. You say then, that there is no such thing as over-production?
A. Over-production must mean over-production relative to something. There cannot be over-production relative to the economic wants of man. There can be over-production of capital goods relative to consumer goods; there may be over-production of goods relative to the monetary system.
Q. If there is, then would not an efficient monetary system be to finance consumption?
A. The function of an efficient monetary system would be to see that goods were purchased and got to the hands of the consumer, who would have to have the whole process of the factories put to work on consumer goods, and finally be delivered into the hands of consumers.
MARCH 21, 1934.
Chairman: Mr. A. B. Claypool.

MR. WILLIAM ABERHART RECALLED
(Including Further Evidence of Mr. Collins, Mr. Boyd and Prof. Elliott)

CHAIRMAN: Mr. Aberhart, will you review some of the points made and answer some of the criticisms made?

Mr. ABERHART: I was to speak last.

Mr. MacLACHLAN: Yesterday we had two speakers presenting the Douglas theory to us and they differed very radically in presentation of certain facts such as the advisability of the operation of this scheme within the province. I am going to suggest as they have the greatest knowledge of the Douglas scheme, are the best qualified to find the weaknesses in the other's argument, that they be given the privilege of the floor to question one another so that the Committee will get all the advantage of their ideas. I make a motion that the four speakers of yesterday be given the privilege of the floor so far as asking questions is concerned.

Mr. GIBBS rather objected to this arrangement, but on being informed that it would not be at all compulsory and that they only ask questions if they wished to do so, he was in agreement.

Mr. ABERHART: Before dipping into the intricacies of social credit, I hope you will allow me to express my appreciation of the patience and courtesy that has been shown to me on this occasion by the members of the Legislature. I have had a most delightful time. I came before you with some hesitation. In talking with several of the members I have come to the conclusion that there are two or three matters at least on which there is much agreement. The first is that something must be done and that right early. Suffering and privation of our people demand it. There are plenty of goods available, but the people are not able to get them. The second is when we diagnose the case we find the great trouble is not in production but in the distribution, hence all the plans regarding production and surplus will never solve the problem but be a mere palliative, a shot in the arm of the patient.

The third trouble with distribution is not our trains, our busses or our railways, but the medium of distribution, money or financial credit. Money has become a commodity producing better returns than goods, and the flow of credit has been a great deal interfered with. To put it in plain words, there is not sufficient purchasing power in the hands of the consumer. Our problem is to get it there. I believe there is very general agreement among progressive thinkers on these three points. We may differ a little, but that is not so important. We can agree the displacement of labour by the machine is evident because when machines do the work the consumer loses purchasing power. Social credit makes the claim that when a machine displaces ten men from work it must of necessity undertake to supply society with the purchasing power of those ten men. The cause for the lack of purchasing power is offered by Major Douglas as the "A plus B" theorem. I mentioned this, not to call forth another argument, but to reply to Professor Elliott's criticism of my quotation of Dominion statistics officially in the Handbook. I was rather surprised to hear Professor Elliott say that the topic sentence of this paragraph was not the topic of the paragraph. I may read it again slowly and try to call your attention particularly to the development in the paragraph:

"The national income of Canada is necessarily less than its national production, a total for which is suggested in the general survey of production above. However, the industries there included engage only two-thirds of those gainfully employed in Canada. As there is no reason to suppose that those not connected with production as there defined are less productive in the broad sense of the term than others, the total value of the net production of 1930 must have been not less than $4,800,000,000.

"In order to arrive at the figure of national income, however, certain heavy deductions from the above amount must be made—deductions espe-
dividend I suggest an arbitrary figure 10 per cent of the capital...." (reads)—As a matter of fact it was £300 per annum per family.

Mr. ABERHART: I understood they asked the question is this dividend to be paid to every man, woman and child and you answered yes. Is that not what he means that Major Douglas intended to give every man, woman and child of approved length of residence?

Mr. COLLINS: Yes.

Mr. ABERHART: In a sense, he is right if it means the child is covered by the national dividend given him. If it means that every new-born babe receives $30 a month from the day it is born I think he is not representing Major Douglas' point.

Mr. COLLINS: I would point out that £300 per family of four would be $375.00 per individual, and divided by 12 would approximate $30.00. I took this point up with Major Douglas as to the size of the dividend and I believe that was brought out in evidence yesterday that he said in his opinion $30.00 would not be too much in the case of Canada.

Mr. ANDREWS: As an individual?

Mr. COLLINS: As I understand, for every man, woman and child. There was no point made to ask him whether he intended it to be for every man, woman and child.

Mr. GIBBS: You are stating we can consider that as so?

Mr. COLLINS: Yes, I am.

Mr. PAYNE: What does approved residence mean?

Mr. COLLINS: I have no further definition than these words.

Mr. ABERHART: If that means any child born in the country is eligible for that dividend, if of nationalized parents, a child born in the country is eligible for dividends.

Mr. COLLINS: I would not like to interpret.

Mr. ABERHART: I claim that Major Douglas includes the child in the household. The parents will receive the dividend and look after the children the same as now, but it would not mean they gave $30.00 to each child.

Mr. FARQUHARSON: They could claim against dividends on behalf of that child?

Mr. ABERHART: No, I do not think so until it was 21.

Mr. COLLINS: The arrangement is for parent or the guardian to collect the dividends.

Mr. ABERHART: That is in the case of looking after children whose parents are dead and who cannot be left to starve, but that is not talking about the home where the father and mother are living.

Mr. COLLINS: I think we can only consider the words “arrangement for the parents or guardian to collect.” One would not expect a baby of three to go down and collect a national dividend. The parents would have to get it and an arrangement would be made for the parents. In view of the $1,500 per family the amount of $30.00 would work out on that basis.

Mr. ABERHART: We will grant that then as stated, that that is the idea. May I do a little figuring for you now. The population of Canada in 1931, the last census, was 5,374,541 males and 5,245,000 females, a total population of 10,619,541 people. Multiply that by $30.00 per month and you will get $300,000,000 a month basic dividend. Multiply that by 12 to get the yearly amount and you have $3,600,000,000 to be collected or paid in basic dividends.

Now Mr. Collins proposed to recall these by income tax. I read to you the total income of the Canadian people $4,400,000,000. I said the amount of the basic dividend was $3,600,000,000, and the total income is $4,400,000,000. Do you believe you could raise an income tax of $3,800,000,000 from $4,400,000,000, a gross income of 80 per cent, an income tax of $30.00—we must increase it to 80 per cent and, if Mr. Collins is correct, that not only removes the Douglas system from Alberta but makes it impractical for Canada as well.

Mr. COLLINS: We must go back to precedents when we talk of percentages on income tax. In England during the war there was what was known as the excess profit duty. This excess profit duty was to retrieve surplus profits, profits that were made directly as a result of the war. It was not intended to interfere with normal profits. This is somewhat of a similar situation. There are normal profits and surplus profits engendered by issuing this money. Mr. Aberhart has worked it out to be 80 per cent that would need to be retired, but it is rather remarkable in view of that that the percentage collected in excess profits duty in England was exactly that percentage, but at the same time there was a standard rate.

Mr. ABERHART: Eighty per cent of the excess profits, but this was 80 per cent of the total income.

Mr. COLLINS: It seems to me there was a standard rate of 30 per cent of the normal profits and I submit, too, this dividend being first of all handed out would be capable of being taxed back. We are not taxing anything that is not there.

Prof. ELLIOTT: May I suggest the difficulty here seems to hinge again on that division of income.

Mr. ABERHART: Can you tell us what the income of Canada was and never mind trying to find out what the income of Canada means. How much did the people of Canada receive? I think they collected $4,400,000,000.

Prof. ELLIOTT: That is the value of the goods the Canadian people received during that period. It is true, if you put more credit into circulation you will not increase very much the amount of goods, but you will increase the amount of credit that one can possibly tax back by precisely the amount you put into circulation, provided you have a very effective tax machine.

Mr. ABERHART: The very astute question of the Premier to Mr. Collins yesterday expressed the view that the interpretation given by Mr. Collins of the Douglas system was merely an extensive form of the present relief system.

Mr. COLLINS: 1 object. The question was asked me was it an intensive form of relief, and I thought I made it clear it was no such a thing. The press reports bear me out in that. The difference between glorified relief and the Douglas plan is manifold, but the essential one is that money paid out under the Douglas plan is not debt-created money. It is not borrowed from any financial organization and carries no interest. It is not paid out as a result of a reward for labour. It is paid out to everyone. I think that is a very essential difference.

Mr. ABERHART: Did you not say the basic dividends would be taxed back from the people to be paid out again?

Mr. COLLINS: Yes; collected from the citizens in whose hands it happened to be, but this burden would not fall heavily on those concerned. One benefit of the income tax is it only takes from those who have it, and the mass of the people who naturally spend it if they were going to receive it as long as they lived. They would have no necessity of saving and they would discontinue life insurance possibly if they knew they are going to get this money as long as they live. We could exclude the mass of the people not taxed back and it would leave it in the hands of a minority. This would facilitate collection of taxes and make it appear feasible to me.

Mr. BOYD: I would depurate anything that savours of a family quarrel. Mr. Aberhart has issued a booklet called "The Douglas System of Economics." Mr. Aberhart has been going up and down the country proclaiming the Douglas system. The Douglas system is expounded in Major Douglas' books and the most detailed exposition of his philosophy is contained in what is called "The Draft Scheme for Scotland." Now as Mr. Collins stated yesterday, Scotland is not a legislative unit although it may be an administrative unit and Major Douglas' scheme was drawn up on the assumption that home rule for Scotland was in the offing. When we come down to figures and the detail work of it that
will be a matter for statisticians. Mr. Collins has said he appears as a private citizen but with ample authority from his correspondence with Major Douglas to express his views. I am sent as the authorized representative of the Douglas Credit League of Canada and my instructions were to confine myself to a statement of general principles, the social philosophy of Major Douglas and to leave the detailed application of economics until the Major himself would be here. Now this committee yesterday, I understand, decided to call Major Douglas, and I would certainly deprecate this contention as to how much the thing will cost until the arrival of Major Douglas. The desire of the committee, I understand, chiefly is to know a question that Major Douglas is not so well qualified to speak on, namely, provincial and national laws, and whether it is advisable for this province to apply this system provincially alone. I would suggest, sir, that we confine this discussion a little more instead of allowing it a free range.

Mr. FARQUHARSON: I suggest that Mr. Aberhart be given permission to go ahead and then we will get the thing in outline.

Mr. ABERHART: I appreciate also the fact that you have three against me.

Prof. ELLIOTT: I am quite sure I have three against me.

Mr. ABERHART: I feel I have been practically ruled out of court as far as the Douglas system is concerned, but as this book was autographed, "C. H. Douglas with his regards," and he told the man it is a fair outline of his work, he sends me this "In recognition of outstanding labour." I think he must be a jolly good fellow to string me along.

Mr. BOYD: I have expressed to Mr. Aberhart by letter so lately as last Saturday my appreciation of the work done in educating the people of this country and my admiration of the work done, and expressed to him the hope he will continue it.

Mr. ABERHART: When Major Douglas gets to Australia and stands up before 15,000 and speaks into the "mike" where 100,000 Australians can hear him and says, "You are making progress in Australia and I believe even more progress is being made in New Zealand, but even your progress here is hardly parallel with the progress made in Western Canada." Would that not get you, for him to say that, and all the time I know I had written a plan which was my own and not in accord with him at all.

I do not want you to feel Mr. Collins and I are not friends because we criticize. I am standing for my claim about the province, and he is standing for his claim about the Dominion, and I want to show you some points I think are very vital.

Some Vital Points

I am obliged to declare when he said some method of recall of national dividends, preferably an income tax, would have to be devised, he is misrepresenting Major Douglas and I say this knowing that Major Douglas is coming to this floor. Mr. Collins quoted from a communication from Major Douglas as follows: "In a letter addressed to me, Major Douglas said he much preferred not to lay down dogmatically any one method of procedure as there are quite a number of methods by which redundant credits can be recalled." He did not say all the dividends, and I want you to notice that distinctly. At this point I would like to call your attention to three statements in Major Douglas' book "Waning Democracy" and when Major Douglas writes he writes a gold nugget in a sentence. He says, "When you make goods, you make prices, but you do not make money." Do you understand that statement? A. has $10 and wants a pair of shoes, so he goes to B. to ask him to make him a pair of shoes. B. gets the money and B. goes to C. and says, "I want three shirts." C. makes the shirts and gives them to B. and B. gives $10 to C. Then C. goes to A. and says, "I want a pair of trousers." The trousers are made and C. gets the trousers and A. gets the money back. There was $30.00 goods made and $30.00 price, but no money was made. A. the shoes, B. the shirts, C. the trousers; all these things can be made but the only difficulty is to supply these three men with purchasing power to get it. You can make goods, but when you make goods you make the price, but that does not mean money. Purchasing power has to be produced. Get that as No. 1 in this argument.

No. 2. The cash credits of the population of any country shall at any moment be collectively equal to the collective cash prices for consumable goods for sale in that country and such cash credits shall be cancelled on the purchase of the consumption goods. The production and consumption must be kept balanced. To make goods you will have to make sure the purchasing power to secure these goods, and as soon as that purchasing power handles the goods the purchasing power must die. Now supposing in our attempt to make purchasing power to handle goods we failed and did not make enough. Supposing we have issued more purchasing power than goods. Supposing we issue more purchasing power and the goods are not purchased; we have what is called redundant credits, and Major Douglas says: "I do not want to state how redundant credits are caused to come back." In Major Douglas' letter to Mr. Collins he said there was quite a number of methods by which redundant credits, not basic dividends, may be recalled. The cash credits required to finance production shall be supplied—not from savings—but from new credits created to purchase new goods. Why? Why cannot a man go to the bank and say, "I have saved so much and I am going to take those savings and put them in business." Those savings should have bought goods. The goods are on the shelves and he puts that into new goods and you have got some more surplus and Major Douglas says you have to have new credit. Major Douglas said to Mr. Collins: "I have many methods of recalling redundant credit. I am not going to discuss them with you. I am going to tell it on the floor of the house when I come." Major Douglas never said the main source was by income tax.

Mr. BOYD: I do not take issue with you on these points.

Mr. ABERHART: The cash credits required to finance production shall be supplied, not from savings, but shall be new credits covering new production. Here is a man going to manufacture 500 pairs of shoes. He must not use his savings account. He has got to get new credit. He said the state will give it to him without interest. There is no trouble getting it if they are making new goods because you cannot have savings; savings should be spent. How is he going to keep it spent out? When I faced it I saw where it might be hard to get that man to get that saving spent. The way to do it is to pass a compulsory spending act. Will you take it from him? No, he can buy government bonds and it is back then to headquarters. The state must give credit to anybody making goods if there is a reasonable chance of him making good. "Here you are; no interest." Farmers produce goods so we say, "Here is your credit." "But," he says, "I have money in the bank"; and we reply, "I do not want your money; you use that money for your living, raise your standard of living. We will give you the loan to produce your goods." That is Major Douglas' Idea. Let us get that clear that redundant credit is not basic dividends. I think the honourable Premier yesterday was hardly fair when he asked Mr. Collins could the province, under the Douglas system, fix a price on imported goods. I would like to have heard Mr. Collins answer, "How could Canada fix the price of imported goods?" How can Canada fix the price of imported goods? Take this case: Here is a suit of clothes coming from London and entering Quebec. Canada is going to say to Quebec: "You charge so much for that suit of clothes." Will they? Who has the right to say the price in Quebec by the B.N.A. Act? Who has the right to fix prices in this province? Canada? "You fix the market price and we fix our cost price." It is not the Dominion. Our autonomy is in trade and prices and the Dominion has no business interfering. Mr. Collins will have to change the B.N.A. Act. They will say the price in Quebec is $40 and Quebec says $35 is all we will pay. Will the London firm say we will not sell it to you at that price and the whole thing is stopped? Let me take you to the Province of Quebec and introduce the Douglas system there. I will not change anything in the B.N.A. Act. The Province of Quebec has the right to fix prices of goods coming across. The invoice is from the manufacturer and the price is right on it, we will say $20. The bill is $20 and the duty is $5. That is the
price of the goods at which the wholesaler gets it. He says, "I want my commission." The retailer wants his commission, and I say another $10 or four times as much. Let us make it a reasonable and just price. We will give you $10.00. We will give you $35.00 for the suit and who will make objection? The old country have got what they ask, $20.00; the Dominion of Canada will not say anything as they have got the duty they asked; what objection could they make? Why would the wholesaler and retailer kick? They each get their just commission, a medium profit, so why would the firm in England say they would not sell the goods?

Mrs. PARLBY: If this was not only in Quebec, could he not go into the next province and buy?

Mr. ABERHART: Major Douglas claims this will bring prices down to a minimum, the actual cost of production is finally what it would be. Whatever province puts the Douglas system in will have goods at less price. The Douglas system is to make a just price. We will say a pair of shoes is sold at $8.00. Major Douglas says there is too much profit and that has got to come down so the shoes will probably sell for $4.00 in the province where the Douglas system is. He will give a reasonable commission, the turnover being so much credit. I spoke to the retail grocers in Calgary and said, "If these conditions could be introduced into the province would it make any difference to you fellows?" I said, "If I guarantee that your accounts will all be paid, every man who bought groceries would pay for them, and he would be given food, shelter and clothing, what would you think?" They said, "If all the accounts were paid we would make more money at 15 per cent and would be willing to take it." I claim to you the goods will go down in price.

I would like to add to the information given here yesterday, and read from page 55 of "Credit Power and Democracy." "I wonder if I might dare suggest once more to you one of the first things that we must do. First to distinguish the principles of social credit from a plan of adapting these principles to any unit." There is a difference between electricity and lighting your home. There is the question of electricity, but you could have one hundred different ways of lighting up your house and these general suggestions of Major Douglas are only one plan. I ask you if they are not neglecting the first principles of social credit.

Mr. Collins said: "To the best of my knowledge, Major Douglas has given out but one set of rules for the inauguration and carrying out of his proposals, the draft scheme for Scotland."

Imagine an engineer saying there is only one way he knows of to build a bridge across a stream, no matter the width, the climate or the condition of the soil. Major Douglas says he would like to be on the spot to do the work, but if there was only one plan, could he not write it down and let you read it? We must distinguish social credit from the plan that is to be adopted.

Quoting from Mr. Collins' brief: "In reply to a letter from me asking if this plan with minor modifications would be suitable for Canada, Major Douglas replied in the affirmative, and I bring out this to show that Major Douglas did not contemplate a dozen plans but has one fundamental plan, the principles of which are applicable anywhere."

I have at the back of this book, "Credit Power and Democracy," a plan for the Minors Federation of Great Britain. I am sorry if Mr. Collins has not seen it, and it is quite a different plan from that for Scotland. Again, if you examine the plan for Scotland you will find a scheme for temporary price control of the value of land, because the amount of land in Scotland is scarce. I am wondering if this precaution would be necessary here in Alberta when we have so much land all around us.

I am pleased you are having Major Douglas before your committee as it will relieve me of a heavy load. I would like you to know, if you will pardon me bringing a personal matter here, that I have no plan to offer, and would gladly retire into the shades of economic oblivion. When I heard the Toronto man claim that the London secretariat repudiated all credit to me and gave all the credit for western interest to Mr. Kerslake, who indicated displeasure to our Premier, I promptly ceased from progressive effort. I believe I understand the Douglas system as far as I have had time to get it, and when Mr. Kerslake told me I was wrong in pressing for provincial introduction, I immediately wrote Major Douglas telling him the situation, and he replied he would see it was rectified. Soon after I had a letter from Mr. Kerslake telling me he had received a letter from Major Douglas, informing him Major Douglas was of the opinion it could be done in Alberta, but he, Kerslake, was still of the opinion it could not be done. Kerslake would not be corrected. I claim it is not fair to say Major Douglas practically admitted it could not be applied to one province. Mr. Collins had written to Major Douglas pressing the impossibility of introducing it, and offering six reasons why it could not be done, and with the true spirit of the engineer Major Douglas' reply was to the effect that he would make no further statement until he was on the ground. I have had sufficient experience with these engineers to know what that means. If I told an engineer he could not build a bridge and he said he could, and I said, "You cannot, for this reason or that reason," and he will say, "All right, I will not discuss it but I will show you." What is the use of an engineer discussing that with a man who does not understand, especially by letter, what could be done? Here is a letter from Major Douglas to Mr. McKay at Provost:

"Although I am reasonably familiar with Canadian conditions, I should not like to put forward a definite scheme without considerable consultation with practical men on the spot, but I am entirely of the opinion that a community of the type represented by the province of Alberta could quite easily develop its own credit system without reference even to the rest of Canada."

I have here an excerpt from Hansard reporting the banking investigation of 1923, page 480:

Q. CHAIRMAN: To carry out your scheme in Canada it would be necessary, I think, to have all the provinces agree, because after all in most respects the scheme would come under provincial jurisdiction. How would the thing work out if Alberta adopted it and Manitoba said no? Could one go along by itself?

A. Major DOUGLAS: There would be a great rush of immigration to Alberta.

Q. Would you make them happier there?

A. Undoubtedly.

Why does Major Douglas say, "I was talking about the province." He could have said, "You are misunderstanding; it cannot be put in a province." I claim to you that you are having this case misrepresented from the standpoint of Alberta. I will stand by my claim that the Douglas system can be put into effect.

A month later, after this inquiry, Mr. Munger went to England and got his approval on this pamphlet, and this book. My little pamphlet said the province, and he knew all the time it could not be put into effect in the provinces. I am told I am all wrong in this provincial suggestion to you. I am told my suggestion is all haywire. If this is an attempt to discredit my work, the people of the province will vindicate my honest effort. One of the members said yesterday that the first four reasons I have given were contrary, so I take it the other three are allowed to stand. My claim is I have lost by a majority of one. The first point was with the problem of education, that the area was so much greater that it would take that much more time in Canada than in the single province of Alberta and the remedy would be too late. I still maintain, and I speak as a teacher, it is a greater and more difficult problem to educate ten million people scattered over the expanse of Canada than it is to educate 731,000 covered in one province, especially when the subject is so difficult and when a large number belong to the traditional type of Quebec and Ontario.

The second point was the problem in the Federal House, where a majority at least of the legislature, Quebec and Ontario, have a controlling voice. If you could split them probably it would be saved by the balance of power, but when you have split them where is your co-operation for the Douglas system. It is essential the people of the country must be educated. I do not think you hope
or believe that a system like this can be thrown on to the province and immediately work unless the people are educated. It is my effort to get them thinking along progressive advanced lines, and if you take out some of the statements and say some of these statements are not accurate, surely they are not! I took them from another book and put them down there. I say to a class, "Is this right?" and give them something wrong, and if one could not tell me I know that that boy is not thinking. I put three principles definitely enough and I think the province of Alberta as a whole is getting them, so I claim my second point is, the best way to kill a progressive movement is to hand it on to Ottawa.

Mr. Collins plainly said it involves the setting up of a central bank controlled nationally, not privately. Mr. Collins rightly maintains that action in this situation should be immediate, as a decision will be rendered at an early date. undoubtedly, granting a charter to a privately owned bank prevents this for ten years in Ottawa. I think you know as well as I do the position of these people in Alberta. Tell them tomorrow to look for the Douglas system ten years from now and listen to the groaning that goes on.

Again, Mr. Collins favours automatic price control of just price. Does he take from the province its right and give it to the Dominion? Would this not entail a revision of the B.N.A. Act?—another serious problem. I am wondering if the western provinces would be satisfied to let Ontario and Quebec have a majority voice in fixing our prices. If the Dominion allows the provinces to control prices what would be the result if they did not set the same price. Mr. Collins also asserted the national dividend be recalled by a national system of income tax. He did not say whether Dominion-wide or each province separately. There might be objection from Ontario's well-to-do to help to supply the purchasing power of the West. If you are going to tax and give this income all across Canada you would have a big howl from these people.

Q. Mr. HOADLEY: Have they no unemployed in the East?
A. Yes, but their amount of income is so much greater than that of the West. Mr. Collins says if the plan is put into effect in Alberta there will be a great influx of needy people. If they put into effect in the whole of Canada what would be the influx?

Q. Mr. BROWNLEE: How can we do that when we have no control of immigration?
A. They send them from one municipality to another.
Q. That is one of our great troubles.
A. Mr. ABERHART: I thought you could send a person from Alberta to Saskatchewan if they came in and demanded relief?
Mr. BROWNLEE: No. The city of Calgary has been complaining for a long time about transients coming back and forth from the coast.
A. Mr. ABERHART: Mr. Collins says there would be difficulty with the railways, but even the C.N. and C.P. cannot turn up their nose at business in times like these.

Mr. Collins further asserts that the Dominion has exclusive jurisdiction over banking and currency and that a province has not the power of crediting and issuing national dividend. I suppose Mr. Collins means issuing a cheque for a national dividend. Why not follow the Douglas system? Tickets could be used if necessary. In his book "Waning Democracy," he says: "Money has no reality in itself; no matter what it is made of it is purely psychological." I suggested in that little pamphlet so as to be perfectly clear under the B.N.A. and Bank Act, clause 138, we use a non-negotiable certificate secured by the province. It will be readily accepted by consumers and producers or the business houses of the province.

My point is, there is no need of taxation whatever to take back the basic dividend. Major Douglas does not suggest that. Major Douglas in his book "Waning Democracy" states that taxation is the financier's method of enslavement of the people. In another place he says, "Tell the folks: 1. Don't buy any bonds; 2. Don't pay your taxes." He mentions half a dozen things that play into the hands of finance.

Q. Mr. MacLACHLAN: Did you not say taxation was the first method?
A. No; I pointed this out to you as the blood stream of the state. I told you it was a splendid illustration, because the blood stream illustrates the flow of credit, the food, clothing and shelter for the blood cells, and it is carried to the lungs and throws off all impurities exactly as must be done. The credit house loans to the producer and that goes through salaries and wages and commissions and raw material and the consumer is given a basic dividend to buy these goods so the purchasing power travels around a circle and back again. I want to go into that definitely so as to show you my point. I am sorry that my colleagues feel I should not be definite. I am going to put on this side $1,000 that I am going to loan a farmer, or $3,000 to build plant and equipment for production of goods without interest. It is put on the credit side of his account. Purchase your goods. Then I say to him you understand the basis of social credit do you? And I say, this is the basis: "We will give you that $3,000 credit now so you can get that machine going, but understand every year you will pay us $300 out of that back and you will be allowed to charge in the price of the goods so you can get it back again, but remember you have paid for ten years the increment of association in that machine you will have to continue to pay $300 until that machine is paid for. When that machine dies, we will give you another loan and the increment in that machine will belong to the state. He works it; he looks after it; he is practically the owner, but we control the policy." That is the way it starts. That is the way we give him a credit loan.

Q. Mr. MOYER: What if the machine breaks down in five years?
A. The state will have to stand that, but do not buy machines that will break down in five years. You would have to increase the increment. I am just speaking in general principle.

Q. Mr. BROWNLEE: What happens when the whole stream is clogged and you cannot make payment?
A. Then we will all go back and the state will cover it. Which can be done very easily. Here is the first credit loan that has to come back this year and as the $1,500 comes back he starts making payment on this.

Q. Mr. McCool: Does he just pay $300 back for ten years or for the life of the machine if it is 50 years?
A. He pays as long as the goods are there, because the increment is becoming the increment of the state.
Q. That is the same as charging interest?
A. It is $300 all the time.
Q. It is practically the same as interest?
A. No, the capital itself never came back. You call it interest if you like, but the capital never came back. It is more like rent.

(Mr. Aberhart then proceeded to outline a typical case with the assistance of the chart.)

Q. Mr. MONTGOMERY: How will the producer get the money to pay for the raw material?
A. This includes raw material.
Q. I thought that went back to pay the $300 on plant and equipment?
A. You mean, pay people for raw material, it comes to this, anybody that deals with it.
Q. Three hundred dollars in dividends will be given to the people?
Q. Mr. BAKER: This plant and equipment for $8,000, we will say that is to come from Hamilton. I do not quite get how the farmer, we will say, who is going to get a line of agricultural implements, how is that $800 worth of Alberta credit going to purchase these goods in Hamilton unless there is a par value of $300 with Dominion currency?
A. It does not interfere with outside trade.
Q. Mr. BAKER: But we are buying our farm equipment outside, and our farm produce, certainly our wheat crop, goes outside, and the people outside are not concerned with our ticket, not any more than they would be with a wooden five cent piece, so how would the farmer pay for $300 worth of machinery?
A. He goes to the state credit house and says, "I want a draft on Hamilton and here is my social credit non-negotiable certificate." They will debit him for that and give him a draft on Hamilton. The government would have the balance of trade with Hamilton. We only buy money orders now and they come back with some others and the balance of trade is kept going.

Q. The draft was on our promise to pay so it is no good?
A. Then we will buy their goods.

Q. With what?
A. The controlling position must be the exchange of goods. Germany could not pay reparations because we would not buy their goods.

Q. Mr. MONTGOMERY: We cannot buy goods from Hamilton when we owe them so much.
A. You understand the refunding of debt in this province?
Q. You said we had given our promise to pay these drafts to Hamilton to such an extent that they want a settlement; how would you pay it by buying goods there?
A. I should have the state buying and selling goods to them. It is the draft system.

Q. Mr. MacLACHLAN: If we had more credit than goods what would the position be?
A. That is redundant credit.
Q. Does that mean unlimited credit?
A. No; we have issued more credit than goods to purchase. We will have to increase the quantity of goods or increase the price. He says he has many ways of doing it.

Q. You will agree with me it is an important fact if there is not sufficient goods to balance all the certificates issued?
A. The just price possibly will raise it.
Q. But in selling goods abroad, we cannot raise the price.
A. We can by selling such that much extra.
Q. How are you going to raise the price of wheat to meet the obligations you have mentioned?
A. How are we going to increase prices to meet obligations?
Q. Yes, on all the credits bought in Eastern Canada.
A. That is only goods going out.
Q. And if it goes down, who will meet these credit slips?
A. We could not pay them.

Q. Mr. BAKER: How can any internal system solve this problem? We are now producing a lot of wheat and the man on the farm who already has his plant and equipment is producing, but if these goods do not bring enough return to pay the $3,000, how will the arrangement in Alberta help the situation?
A. There is an automatic price set by the commission appointed by the state for fixing prices so it will return enough.
Q. The price is fixed in Alberta, but that will not fix the price in Hamilton.
A. If we import a suit of clothing and the wholesale price is $20 and the duty is $25 with a commission to the wholesaler and the retailer is $10, he will get $35 and the man will not sell it for $50.
Q. Is not all we have to pay our machinery debt with what we can get for our wheat in Alberta?
A. I think we are doing that now.

Q. Am I to understand that your scheme would only work out on the condition that we were able to compel—

A. There would be no compulsion.

Q. On the basis then we will be able to bargain to the extent that the people will sell farm machinery from outside the province, the United States, Canada or Great Britain, and they would have to take as payment just the payments which we would be able to get back from the farmer?

A. No, guarantee so much every year.

Q. Well, supposing we guarantee them so much every year and next year we have to guarantee the Massey Harris Co. $200,000, but there is a drought in this province and we do not get that $200,000 from the farmer, what are we going to pay in the meantime?

A. We would have to further secure that purchasing power from the people who have money in savings and sell bonds to them.

Q. In other words, build up the provincial debt?

A. You must always get your debts from outside to the inside.

Q. But if the debt inside cannot be arranged because there is not the money here, what are we going to do?

A. Then we are going to starvation.

Q. That is not an answer to the question.

A. We cannot pay them if we have not the money.

Q. Mr. Baker: Is that not exactly the position we are in as a province? We sell a great deal of stuff to Liverpool and get returns, but it is not enough to pay for the goods?

A. And interest.

Q. Without interest; we cannot get the goods from any firm without paying interest.

A. You feel we do not produce enough goods to pay our debts today?

Q. I feel what we can get for goods we produce is not enough.

A. We have goods stored up, why not get them flowing?

Q. How can we get them flowing?

A. You can say to them if you will not take our goods we cannot pay.

Q. Then we cannot buy.

Q. Mr. Brownlee: We produced last year 125,000,000 bushels of wheat. What effect is it going to have as far as an import country at a time when there is a 700,000,000 bushel carry-over and the province of Alberta says if you will not take our goods we will not take yours? They will say all right, we can get what we want elsewhere.

A. Take all their goods.

Q. But supposing they say we will only give you a certain price for wheat?

A. Let them have the wheat. It is no use stored.

Q. Give it to them at any price?

A. At a surplus price.

Q. We start out at the beginning of the year in your plan and provide credit loans to farmers on the basis that wheat is around 60 cents per bushel at the time we enter into our agreement. Later on we find wheat is 40 cents a bushel and therefore the payments cannot be made. We do not get the return we expect. How would we take care of it?

A. You do not mean, we settle prices on implements on what the price of wheat is?

Q. I am asking you.

A. I claim the price of wheat is not the basis on which a man can buy machinery, but on the price of production. What did it cost to produce that wheat?
the same wealth as now and what more could be attained. That is, what difference is the method of distribution?
Q. The farmer would have to share the little he has now got with the man who has less?
A. No, he would always get paid for it.
Q. Mr. MOYER: Am I right first in saying that you do not want this scheme tried by the Dominion because it is too big a deal to educate it? That is, a smaller field of education is necessary and there is a better chance of success of it more immediately being put into effect?
A. Yes.
Q. Do you say there is no substantial difficulty in the way of the province putting it into effect?
A. No.
Q. If these two things are assumed, why do you take the legislative field of the province and not the city of Calgary, which is smaller and you would have fewer people to educate? Would that not be better than the province?
A. No. In the first place the city of Calgary has no productive field. It is dependent upon the production around it. It has no production field. It could be done on a very small scale. I illustrated that the other day with the purchase of a moving picture machine. If you transfer the external debt to the internal debt you could do it.
Q. Mr. BROWNLEE: That is what I am curious about. What is the difference in your opinion between an external debt and an internal debt?
A. Internal debt gets away from the debt of money. The exchange finance can pull us right to the mark on this. Where the difficulty lies today is largely in our external trade. Otherwise it is straight barter.
Q. Mr. RONNING: Will you again read that extract from Hansard giving the questions and answers of Major Douglas? I seemed to get the idea from the answers given that it would be necessary to have control of both Dominion provinces in order to establish the plan. This is found on page 480 of Hansard.
(Mr. Aberhart re-read the extract.)
Mr. MATHESON: You will admit that was not a real answer that there would be a rush of immigration. That did not really answer the question.
Q. Mr. BROWNLEE: Do you know anything about the general secretariat in London, how it is organized, who is its chairman?
A. I believe Major Douglas is the president.
Q. Would anything that comes from the general secretariat in London, England, in your opinion carry with it the approval of Major Douglas?
A. I would judge so. I am in a quandary to understand the whole situation.
Q. So far as any reference was made to the fact that I had accepted a letter, if I received a letter from the Douglas Credit League of Canada which contains a paragraph or more than a paragraph of a report of the general secretariat chairman at London, England, I cannot be criticized?
A. No, as long as you have faith in Mr. Kerslake, the secretary-treasurer, that he has not misunderstood Major Douglas.
Q. Well, that is something I could not say. My difficulty this morning very frankly is to reconcile some of the statements that have been made with quotations from reports that have come from the general secretariat at London.
A. That is why I have retired from an aggressive position until Major Douglas is on the spot.
Q. Mr. BROWNLEE: There is something I would be curious to have you do. Having studied this whole question more than anyone in this room, probably with the exception of Mr. Collins or Mr. Boyd, at any rate more than the rest of us, supposing we ask you today to become general manager of a social credit scheme in Alberta, and to put the scheme into effect, would you mind stating to the committee just what your steps would be one by one.
A. The first step would be to ask permission to engage Major Douglas to come here and organize it, and he would do the work; that is, all I would have to do is I would sit by his side, listen to him and get all the information I could, get details of the work and ask you then to give me 60 men to meet Major Douglas and have these men instructed so they could go through the province in districts and instruct others to carry on the work.
Q. That, of course, would be a very easy way. This book of Major Douglas', "Credit Power and Democracy" was published in 1921 and as a matter of fact I think was published before that, the particular volume I have, and it has been the subject of great controversy since as between himself and economists all over the world. It has been the subject of a great deal of study for some years past by Douglas Credit Groups: Are we still to conclude, in spite of all that study, all that educational work, that there is only one man in the world can go into any particular place and put it into effect?
A. I think if my expenses were paid I could go to Major Douglas or someone else and get the details.
Q. He, as an engineer, has not been on the ground. Did they not tell you from London it could not be put into effect?
A. No. Mr. Kerslake gave me a copy. I asked him why he wrote to you to that effect without Major Douglas.
Mr. BROWNLEE: I have no objection to anyone reading the correspondence. I did not table it because I did not want to raise controversy in your own organization.
Mr. ABERHART: Do you remember the clause you read when Mr. Collins was on the floor?
Mr. BROWNLEE: Yes. When I was in Toronto in September with the banking commission I met Mr. Kerslake, who presented the case for the Douglas Credit League. In the course of private conversation afterwards I discussed the scheme with him from the standpoint of the province and raised the question whether or not in their opinion it could be put into effect provincially and he wrote me then to Ottawa and this is what he says (Reads): "Regarding your inquiry as to the applicability of the Douglas plan . . . ." I replied on November 1st stating I would be glad to have them forward me information and a considerable amount of correspondence follows and finally there was a letter received as late as December of last year, goes on to say that a second report has just been received from the secretariat at London, and goes on to quote extracts from that report.
Mr. ABERHART: He has never said anything about Major Douglas' private opinion or definite statement.
Mr. BROWNLEE: Nothing at all. I can show you all the correspondence, even the last letter I have received from him, March 16th. I have no objection to you seeing the whole correspondence.
Mr. ABERHART: When I got a letter from Major Douglas, Mr. Kerslake wrote about two months after and told me he had had word from Major Douglas who said it was possible to put it in the province, but he (Kerslake) was still of the opinion it could not be done.
Q. You think that is a matter you would prefer to leave to Major Douglas himself?
A. I do not feel expert enough on it. I am intensely interested in it. I am intrigued by it, but I would not like to take full responsibility without advice from a man experienced like he is.
Q. Mr. McCool: How long would it take to put the system into effect?
A. That would depend on how long it would take to educate the people.
Q. The people of the district around Calgary are of the opinion from your statement last fall when you stated it could be put into effect by March at your
meeting in Balzac, that it could have been done by now. You did state from the platform this could be put into effect by next March in Alberta?
A. I may have been dreaming, but I never felt like that.
Q. I may have been dreaming, too, but I do not think the audience of some four or five hundred people were.
A. Be in working order by March?
Q. That is the information you left at Balzac. That is the impression they have.
A. I would say I would mean this Legislature could take action by the first of March, but I would not for a moment suggest that anybody could put it in order.
Q. You certainly left that impression and I want to get that point clear. In regard to the basic dividend, is it a fact that this increment you speak of, I believe you admitted you would have to levy a luxury tax or a tax to make up the equivalent of the basic dividend, and give to the unemployed and you used a figure of 10 per cent. Today, in answer to someone here, you said it would be unnecessary for a tax. I take it your increment would have to be equivalent for a period of time to your total basic dividends?
A. Yes.
Q. Your increment would have to equal your total?
A. Yes.
Q. Mr. MATHESON: There is progressively a misplacing of labour by machinery in industry so basic dividends would be more or less a way of getting into the hands of consumers that purchasing power formerly produced by wages?
A. Yes.
Q. Mr. BROWNLEE: The state has to become responsible for basic dividends working one way and credit loans working the other way? In the initial stage the state has to stand behind the two things, basic dividends on the one hand and on the other we have also got to work out some organization by which we become responsible for credit loans. Basic dividends are fixed fairly definitely on the basis of what is considered necessary for food, clothing and shelter, but I gather from you the credit loans would not be fixed on any flat basis at all but be according to the requirements of the producer.
A. The requirements of the country or state. The producer might say I am going to produce this but your control of policy is the same as that of the banks today. They control production by the amount of loans they are willing to give.
Q. When we come to dealing with the farming community, the state would have to say then what each farmer should try to do?
A. Not the individual total, but how much production would come from that district.
Q. Not the individual total, but how much production would come from that district.
A. Yes; but credit has to be given individually. You cannot give credit to a mass of farmers but to the individual.
A. Yes.
Q. If there is one farmer with 6,000 acres of land and another farmer in another part with 320, is it the function of the state to say what shall be the maximum amount a farmer shall farm?
A. No.
Q. How would you arrange to give that credit then, on what basis. It can only be given to the individual. You cannot give credit to 90,000 farmers.
A. The same as the bank does today.
Q. They could not get much. Then we have to be the dictators as to the amount of credit any one man must have?
A. I think that is about the same position. You have to come to the place where you say what will you produce? Wheat? Did you ever raise wheat? We do not give loans to risky borrowers.
Q. Then that is the same as Soviet Russia. To work out your plan then we have to put the state in a position where it is controlling the individual initiative of the man?
A. I would not so control the position of the individual man as much as the banks should do it today. The state should be a better adviser.
Q. It is more than advice because as I understand it the essential part of the scheme is control of these loans and I am anxious that you answer that question as to what the relation of the individual and the state is going to be.
A. The man who has a right to the loan, as we hope not every person wants a loan.
Q. No doubt I have interpreted your statement correctly that it is an integral part of your scheme that the state has to be in a position to give credit individually to farmers and determine to what extent he is entitled to have credit?
A. Yes I do. I am not misrepresenting Major Douglas; that is my judgment.
Q. Mr. FARQUHARSON: I do think we have to deal with the problems referred to the committee.
Mr. ROSS: I can see no good purpose in going into the Douglas scheme any further at the present time. I think that we should wait until Major Douglas is here himself to answer these questions.
Mr. PROUDFOOT: I do hope we will have it understood that these gentlemen who have been witnesses during the past few days will be present when Major Douglas is here. Is that the understanding of the committee?
Mr. FARQUHARSON: An invitation has been presented to Major Douglas but we have not a reply at the present time.

The Chairman then stated that a number of other gentlemen, including Mr. Leedy, who wished to speak on state banks, and Mr. Brice, who had a suggested system, were anxious to have time allotted, but on motion of Mr. MacLachlan, seconded by Mr. Enzenauer, it was decided to confine the inquiry conducted by the committee to the Douglas system until that matter was disposed of.  

Agreed
MARCH 21st, 1934, Afternoon Session.
Chairman:

MR. LARKHAM COLLINS RECALLED

Mr. COLLINS: I have very little to say to you. I had a good many objections to Mr. Aberhart's evidence, but practically all of them have been answered by the most skilful cross-examination, and I feel anything I can say would be more or less redundant at the present time, in view of the fact that Major Douglas will be before you soon.

There was one point which was not quite clearly demonstrated this morning and that is the connection that Major Douglas has with the secretariat. I would like to say Major Douglas is chairman of the secretariat and that the criticism that is now in the hands of the Premier must be regarded as not only carrying the considered opinion of Major Douglas but also an opinion of very recent date. How is the provincial application of this plan to be approached? You are the gentlemen who will be required to give effect to these terms, and I ask you whether you feel sufficiently clear to proceed. I feel the hazards and objections I have pointed out are still hazards and if this plan is a good plan for the province it is a better one for the Dominion.

Mr. BROWNLEE: From your study of the Douglas system is it your understanding that the idea of credit loans as suggested in that chart is one of the fundamentals as well as the basic dividend?

Mr. COLLINS: That is not my understanding and from a common sense point of view it appears that if the state should be asked to advance money with both hands by way of a gift there would be very little need for it to loan money, and I submit if new industries were found necessary, they could be started in the form of joint stock companies and the money for new enterprises will be easily forthcoming from the national dividend from which people would be plentifully supplied.

Mr. GIBBS: The point I would like to hear something about is the relationship of the Douglas system to the actual control and ownership of the means of production to produce that distribution.

Mr. COLLINS: I can give Major Douglas' own answer to that, which will be much superior to my own. I asked him on the 18th of July last: "Are Douglas credit proposals incompatible with public ownership of the means of production?" I think this is a most essential and important question; does the Douglas theory purport to carry on the Douglas system as we have it now, or is there a possibility under the Douglas system that the state could nationalize such phases of the industry as it deems desirable, so I asked him: "Are Douglas credit proposals incompatible with public ownership of the means of production?" He answered me on the 17th of August with the simple, single word "No."

Mr. RONNING: In your opinion, is it possible to continue our present money system after the introduction of the Douglas system in Canada, the two operating parallel as it were, or must the present system be eliminated before this can be put into operation?

Mr. COLLINS: Certain confusion has arisen due to the projected provincial application, in which case two systems, if not of currency, then of money, would be parallel, but if this plan were carried out on a Dominion-wide basis there would be one system. The proposal is cheques or drafts be issued by the government, who would not otherwise interfere with the present monetary system.

Mr. GIBBS: You would have the operation of Gresham's law?

Mr. COLLINS: Gresham's law refers to the fact of bad money driving out good money. If there is only one money here it is hard to show how it could be driven out.
EVIDENCE OF MAJOR C. H. DOUGLAS

Major DOUGLAS: Mr. Chairman, Mr. Prime Minister and Honourable Members of this Legislative Assembly of Alberta.

In the first place I would like to thank you for your very kind reception and to assure you that any service that I can render to you is freely at your disposal. Now I think in regard to this matter, although my kindly introducer mentioned you are broadly familiar with the conditions of our existing monetary system, that it is necessary to go over that in order to emphasize certain points in regard to it which have to be continuously born in mind in regard to this matter, and the first thing I think to do is to bring into our consciousness certain propositions in regard to the economic system itself; that is to say the system by which we get bed, board, clothes and luxuries.

Now the first point to recognize is that the economic system exists primarily for the production and distribution of goods and services. That is, it is the primary objective, and any other objective which may be introduced into it is extraneous. That is a matter which requires almost immediate attention in regard to these matters, because you will very often hear it said that the primary feature, let us say of the situation, is to deal with the unemployment problem. Now the unemployment problem is not in itself inherent as an objective of the economic system. It is not the sort of thing you can take as an axiom that the economic system is failing if it fails to provide employment. The perfect economic system from the point of view from which I am taking the matter is one which provides no employment at all, by which all the goods and services which are required by individuals would drop into their laps as bananas drop off the tree, or as sunshine reaches us in the morning. When you introduce a provision such as the provision of employment into our consideration of the problem at the present time we in fact are perpetuating the original idea of the monetary system which was to distribute all the goods and services which produces or could be produced, quite irrespective of any effect except that they are produced. I want you to bear that aspect of the matter very clearly in mind. When you introduce any measure for, let us say, the ratification of the existing monetary system or any other objective, than the distribution of goods and services, you are making the monetary system and the economic system a tool, a mechanism of policy. You are not dealing purely with economics. You are mixing economics up with something which has nothing whatever fundamentally to do with the provision or distribution of goods and services. I am not saying the provision of employment is not a desirable thing. That is quite outside what I am saying. What I am saying is the provision of employment is not fundamental to an economic system.

Let us examine the monetary system as it stands, as we know it, and in order to do that I think it is necessary again to strip ourselves of a number of misconceptions. A great many of these misconceptions unquestionably arise from you can call, if you like, practical economics. You will hear money described as "a medium of exchange"; you may hear it described as a storehouse of values, and a great many things of that kind.

Money a Ticket System

Now money is not any one of those things, although it is conceivable that from time to time it may take on, as a sort of side issue, attributes which appear to justify that description of it. Money is nothing whatever but a ticket system which has nothing whatever to do with all these abstract descriptions of it such as a medium of exchange, or a storehouse of values or any of these other things. It is a ticket system and nothing else. What the result of perverting and manipulating the ticket system may come to be in such a way as it seems to acquire these attributes, but if you will bear in mind money is nothing but a ticket system you will save yourself a great deal of trouble by stripping your mind of pre-conceptions.

Now to show you that money is nothing but a ticket system I think the best way is to go back very briefly to the origins of the money system and those origins are connected with something with which in the western part of Canada you should be very familiar. They are connected with cattle and grain as fundamental riches, wealth. In the beginning of the money system as we know it the owner of cattle was the chief owner of wealth, and he exchanged some of his cattle for grain, so he might feed the cattle he retained. The grain vendor was very often an itinerant and it was not always convenient for him to take away cattle at the time and have to drive them around to his other customers, so he took from the vendor a leather disc which sometimes bore the head of a cow or horse on it, and sometimes not. At that point there were two absolutely vital things to be recognized in connection with the monetary system. The first of these is that the origin of the money was at the same place as the ownership of the wealth; the man who owned the wealth issued the money. The money was nothing but a ticket, as it is fundamentally today nothing but a ticket for wealth in existence.

Now you can easily see that a system like that would be open to abuse and that some bright fellow would very rapidly begin to produce discs of leather which were unrepresented by cattle and this is no doubt what took place. Now if you jump for some distance, some thousands of years, to the middle ages, you will find that the money makers, the owners of wealth, were the custodians of wealth, and that came about in this way, that portable wealth was very largely gold and silver. It was not recognized as money until a comparatively late date, although coins of course, which were really tokens, were in existence from a very early age. Portable wealth was deposited with the goldsmith of the middle ages, and the goldsmiths were the custodians of this wealth, very largely because they had facilities for storing portable wealth in the form of safe and so forth and they issued receipts for the wealth that they stored. Those receipts were on parchment and were signed by the goldsmith and it came to be a habit to pay over these receipts in exchange for something that was received, some article of value, rather than draw out the gold plate and barter it directly for the land or other wealth which was required. Now at that point another extremely important change took place. These receipts which passed from hand to hand were the lineal ancestors of our modern bank notes. Your Canadian bank and dominion notes descend directly from those goldsmith's receipts, and the essential thing to notice is that those receipts were received as what you might call money, because of the signature of the goldsmith on the receipt and not because of the name of the owner of the wealth. Imperceptibly as you might say, this money passed from the owner of the wealth to the custodian of the wealth. That was an absolutely vital transfer.

Development of Banks

Now the third change, which I think will conclude all that is necessary to say on this subject, took place when the banks developed out of the goldsmith and people began to deposit gold coin and so on with the banks, and they began to issue notes themselves, and ultimately we got a cheque system, which again was really nothing but an extension, a very flexible extension, of the note idea, except that the man made out his own demand on his own receipt, and if the receipt was correct, it was honoured by the paying out of so many gold coins.

The theory was that against all the notes which were out, and the cheques which were drawn, there was exactly the same amount of what had come to be
regarded as the symbol of wealth—gold. There was always this amount of gold coin or gold in some form or another, recognized against the legitimate drafts which could be made by customers of the banking system against their "deposits" as they came to be known. That is to say, in England there was always supposed to be one gold sovereign against any cheque for £1 which was drawn, or against a £5 note there would be five gold sovereigns supposedly in existence. That idea of course involved that, if everybody withdrew his deposits they would all be paid in gold and presumably there would be no gold left in the bank, and the gold would be transferred to the people who had the right of calling upon deposits.

Now this theory was probably implicitly accepted by the public and tacitly accepted by the banking system, but was never expressly true in the past several hundred years. As many generations of people have been only too well aware, on every occasion on which this right of cashing their deposits in gold was exercised, the system always failed and the banks either failed themselves or had to resort to some measures which did not meet the premises of the public contention that all deposits were payable in gold. That was proved, of course, in August, 1914, when there was a run on the British banks, including the Bank of England. There were 900 millions on deposit drawable by cheque, and something over 200 millions were drawn within two or three days. The whole of the gold stocks in the country were exhausted and passed into the hands of the general public, leaving possibly at least six hundred millions of deposits quite unrepresented by any tangible assets whatever in hands of the bank, thus proving that the banks again, as they had been doing even from the days of the goldsmiths, issued more receipts than they possessed tangible wealth for.

Now that was, of course, originally—and I say this quite dispassionately because it is working to the end of a practical result which is important—that was a system which originated in fraud; it was a system which originated by the issue of more receipts than there were gold coins, on the assumption, which was generally true, that all the receipts would not be presented at once for honouring. So long as the actual gold behind those deposits was not all drawn at once, it was working perfectly successfully or fairly successfully for quite a long time.

It didn't work when everybody exercised his legal right to draw this gold, but it became so recognized that it became the basis of banking and it is now, and although there has been in the past few years a good deal of discussion about the matter, the subject is now a dead issue. There is no question at all about it that a right has been assumed by slow process (which I have been endeavouring to sketch), on the part of the banking system actually to issue new purchasing power by the process of issuing more receipts for wealth than the bank possesses the basis for.

Now the question is that since that system up to certain point works, what is the basis on which these additional receipts are issued? There is no question at all, none whatever, that the basis on which those receipts are issued is the general wealth of the community, and they are issues of receipts, or demands if you like, for payment by the general community, of real wealth, which demands only have value because of the existence of this real wealth. The real wealth does not belong to the people who issue the receipts, although the receipts are issued as the property of the issuers and not as the property of the owners of the real wealth for which they are a demand.

I hope you have grasped that because it lies at the bottom of the soundness of any radical amelioration of the existing financial system. You have now existing at the present time a state of affairs in which you have one set of people, the general community if you like, certainly the producing community, who are creating real wealth with the things that actually go to make a higher standard of living and the provision of bed, board and clothes. Those producers of real wealth can produce real wealth from now to Christmas but they cannot produce one penny of purchasing power, one cent of purchasing power. The production of real wealth and the production of purchasing power are two separate industries, and the production of purchasing power has become monopolized under a system which we loosely call the banking system. This purchasing power, which is actually created by this system, is issued to the public which produces the real wealth, not as a gift, not as the issue of tokens, to the producers of the real wealth—tokens which from the original beginnings of the money system belonged to the producers of real wealth and not to anybody else and were simply tokens of wealth—but those tokens which are in effect payments for real wealth produced by someone else are issued as a loan both to the actual producers of the wealth and to the general public. It is therefore implied in this state of affairs that all wealth belongs to the financial system, because only the financial system can issue the effective demand for the real wealth, and that effective demand is always issued as a loan and not as a gift.

Ownership of Wealth

Now that brings us to the necessity for considering the ownership of wealth in the modern world. The real ownership, because certainly ethically, and in fact pragmatically on that rests the basis on which proper reform can be based. Now you might at first sight say, "if you follow the line of argument you have been pursuing, then quite obviously the people who ought to issue the money are the producers of wealth; that would take the money system back to where it began, make it simply a token system, a ticket system." That would be quite true if the actual operators of the producing system in the modern world were the true producers, but they are not. That is quite indisputable. The future of the modern world, which you all admit without any explanation or discussion, is its immense productive capacity, so we have in fact changed from an age of scarcity into an age of real plenty. That is a change in no sense merely due to population, in fact it is hardly at all due to population; it is a change due to the accumulated knowledge of technique of the use of power, of tools, and organization and many other things descended to this generation from the labours of our ancestors. The modern producer—not so much of course, the agricultural producer, although to some extent that is true by the use of harvesters, and gang plows and many other things, application of transportation and so forth—but taken over the whole world, the actual producer so called is more and more the delegate of the general community, delegated as you might say, to press the keys of an enormous productive machine which is overwhelmingly effective as a result of inherited knowledge and technique. You can prove that to yourselves if you consider the effectiveness as producers of ten men, let us say in Detroit, and ten men on a desert island. What ten men on a desert island can do, is what they can do as producers; what ten men can produce in a year in the way of wealth in Detroit is due to their value as producers plus their application of the heritage of civilization, and I suppose ten men in Detroit could probably produce ten thousand times as much real wealth in a year as the same ten men on a desert island. The difference between that productivity is due not to their own virtue but to their inheritance of this technique of civilization.

If you take your mind back again to the original conception of the money system which was a token system issued by the owners of wealth to facilitate the distribution of wealth, and you also bear in mind what I have just been saying that wealth in the modern world is overwhelmingly the result of the heritage of the general community, you will see that certainly from the ethical point of view and I think I can convince you very rapidly from the practical point of view, the owners of the money system are the owners of the wealth, and the owners of the wealth are the general community. They are the tenants for life of that heritage of civilization.

Now that is of course merely, as some people would say, an ethical argument, and I quite agree with those people that if it was not more than a pretty exercise in logic it would not be of much importance. But as a matter of fact, as a result of this technique of production, we are reaching the point where actually at the present time, and much more pretentiously, we are required to envisage a state of affairs which requires under the productive system a decrea-
ing percentage of the available population. That is because of the increasing perfection of these machines, and the fact that a decreasing number of operators are necessary to tap the keys of the machine, as you might say. Each one is increasing his output per head every year. For instance, working from entirely different premises, or rather along different lines, but from the same premises, I myself and those with me arrived at the conclusion that by about 1940, if the rate of production increased in Great Britain only uniformly, and it is quite likely to increase very rapidly by what we call acceleration, there would only be possible work in Great Britain for eight million out of about fourteen million available working population. Now I and those with me arrived at that conclusion by one route. I happened to discuss the subject with Denis Burney the airship builder, and without my mentioning any figures, or without his having any of my information available, he said, "Oh, we have been working on this, and we shall have six million unemployed in Great Britain by 1940 if we go on the way we have been doing and nothing is altered."

Now that involves a new idea in regard to the monetary system or quite a new use, let us say. It means we have at any rate to prepare, if not actually to arrange (at the present time in the older countries we have to arrange, but perhaps in Canada you might merely have to prepare, I should not like to say definitely at the moment which one of those may be necessary), but you will have to arrange or prepare for the distribution of an increasing number of tickets which the goods for this machine of civilization can produce, without its being necessary for the receivers of these tickets to pass through the turnstile of the factories, as you might say. In other words you have got to get away from the idea that the only legitimate grounds for the receipt of goods and services is the doing of work. If you introduce any principle of that kind into your ideas, you contravene the first idea that I would endeavour to make clearer to you, that the objective of the producing system is to deliver and distribute goods and services; it is not to provide employment. And if you have, as you have, your best brains endeavouring to eliminate employment (because that is what the works manager means when he says, "I am reducing costs." He means "I am producing more goods with less labour," and your best brains all over the world are endeavouring to do that, and you have to recognize the true meaning of that and to arrange for the distribution of goods and services, whether the labour of the community is required or whether it is not. The introduction of the labour of the community is merely a means to an end and when that end can be achieved without that labour, then you have to legislate for the distribution of the goods without worrying about that labour. By all means consider the use to be made of the services of the community, but do not force it into the production system where it is not needed. That is the theoretical basis. I have now perhaps tried your patience sufficiently in regard to the existing state of affairs.

Financial Power in Hands of Few

I want to bring to your attention the second aspect of this matter. The situation has two quite separate aspects. One is the technical situation which we have been outlining, and the other is a situation which you may call either political or military, whichever you like, and that arises out of the fact that this monopoly of the ticket system which we technically term the monopoly of credit is the most far-reaching and valuable, if you like, instrument of power and policy which the world has ever known, that it is in the hands of a comparatively small body of individuals and organizations, and that they are quite obviously, if you like to put it that way, quite naturally, quite humanly, taking human nature as it is, not going to give up that monopoly unless they are made to give it up.

You realize that that aspect of the matter is quite separate to the technical aspect. You may be indubitably right about your technique; you may go to those individuals and say: "This is the situation: You are causing all the troubles in the world at the present time practically by the monetary situation. Here is a perfectly good plan which will put this situation right," and you will I think be met, if not in so many words, at least in effect, by the answer: "Yes, very interesting, but why should we change? We are not suffering; we are perfectly satisfied with the situation." And there seems to be very little doubt at the present time that the only reason that people with, let us say, perhaps a little more modern ideas about the financial system, are listened to in high financial places is in order that steps may be taken to see that their views are not put into operation. In other words you are very largely in the position of a very ingenious general who sends all his plans to the opposing general and says: "Don't you think it would be a good idea if we do that," and the opposing general says: "Thank you very much. Send me some more plans. I will consider those too." Then he considers them with a view to seeing that they are not put into operation.

So that the problem from the practical point of view very largely resolves itself into—"What can you put forward which will at any rate ameliorate the present state of affairs, if you assume that you cannot finally dispense with it, and what can you put forward, and in what way can you put it forward, so that you can put it through under the existing circumstances, so that it will be a basis from which you can make a further attack upon the existing state of affairs?"

I may say that I am just finishing a tour of the world on this subject, and it is impressed on me by the situation everywhere that the general population is becomingly increasingly aware of the drastic necessity for dealing with the financial problem, and it is being met by a hardening opposition and determination on the part of the financial powers that be, against change in any fundamental aspect. The questions of inflation or deflation in the ordinary way are questions for discussion with the financial people. They are always ready to discuss the questions of financial inflation or deflation, because they make almost equally well by inflation or deflation. The general public loses on both of them, so that there is no real objection to discussing whether more loans shall be issued or additional loans shall be recalled and mortgages foreclosed; it is simply a question of tactics. There is nothing fundamental about that and I should like to say with all the diplomatic consideration due to a friendly and very adjacent great power, that there is nothing going on south of the line at the present time which fundamentally contravenes the tenets of the existing financial system. I do not say that nothing may go on but at the present time I venture to say there is nothing fundamental of that kind going on now. The great strategist of the Great War, General Foch, had one contribution to military science to make, and that was the contribution of the limited objective, that is, the taking of one trench at a time, and I have very little doubt that that is the sort of thing which will have to be done in regard to this matter, always assuming that it is done by constitutional means.

Must Be Done Constitutionally

I may say that in the realms of the abstract I have not the slightest objection to revolts or anything of that sort, but I am perfectly convinced they are absolutely futile and impracticable under the present state of affairs, that in some way or other we have to get this matter done in existing circumstances, constitutionally; that is to say within the limits of the law.

There is one thing in which I think it is possible that the law of Alberta as a province, or of the Dominion of Canada, might still be effective in regard to this matter. Laws, broadly speaking; at the present time (I am not speaking cynically, but as a matter of fact) laws bearing on the financial system are broadly speaking almost entirely laws for the protection of the financial system as it exists at the present time. The theory of our modern democracy is that parliament is supreme and that all powers rest with the democracy. As a matter of fact the monetary system is supreme and in most cases (and I am remembering where I am speaking), in most cases the parliamentary system, for no reason which is at all a fault of its own, is at the present almost inevitably the tail which is wagged by the financial dog. So that we have to consider, bearing these facts in mind, what we can do.

Now New Zealand, from which I have just come, had a monetary inquiry, and the monetary inquiry was, for reasons connected with the debt, the large debt to London, practically incapable of discussing the existing monetary system,
so that the line I took with New Zealand was this: "We will assume that the existing monetary system is perfect, and we will make suggestions for the amelioration of the existing situation within the lines of the existing monetary system, and we will see how they work."

Broadly speaking, the suggestions were something like this (and I shall have much pleasure in depositing an actual copy with the prime minister for the use of this house): "We know quite well that the core of this problem is in the disparity between the real wealth available and the monetization of that wealth; that it is within the power of monetization of real wealth that this power of credit lies. Now certain institutions alone have the power of monetizing wealth, and we will take that power as it stands, and we will go to the banks and say: 'Now you have the best possible precedent in the Bank of England for limiting your dividends to 4%—which is the dividend invariably paid by that bank. We will by our law-making powers limit your dividend to 6%. Then we will ask you to do this, and if you do not do it we will ask you your reasons for your objection; we will ask you to make a return of the whole of your assets both real and personal, at their market price at the present time and at the price at which they are held on your balance sheet for the purpose of your annual balance sheet'."

Real Value of Bank Assets

I may say in digression that there is very little doubt that if we had any conception of the market price of the assets held by the financial institutions we should be very much surprised at the real profits that they are making. There is an enormous difference between the disclosed value of the assets either held by banks or held in lien by banks, in many cases under a lien which never can be realized, and the figures under which these assets are held for balance sheet purposes.

We say: You will make this return, and where it is found that the disclosed market value of your assets is in excess of the value for which they are held for balance sheet purposes, we will not take those assets from you, we will not tax you even on those assets; but we will merely ask you very kindly to exercise your exclusive rights of monetizing that value, and we will transfer that monetized value to a suspense account. We will use that suspense account for providing every individual of the population of New Zealand over 21, with shares in public issues of debenture stocks or preference stocks which will be paid for out of this suspense account, and shall be clearly marked as good security for loans and non-transferable. We will allot those shares to the individual so long as he is a naturalized or natural-born subject of New Zealand, thus providing those individuals with the beginnings of a dividend share in all undertakings, without having taxed anybody to provide the purchasing power. In addition to that we will go to the insurance companies and we will ask them for the same returns and we will monetize that return. The difference of those values through the newly formed New Zealand Reserve Bank, we will apply to the retirement of the overdrafts and the loans of agricultural and other producing concerns, so that those farmers and agriculturists who have become practically hopelessly in debt to financial institutions may have those overdrafts and loans retired without the taxation of anybody. The money which is created by the New Zealand Reserve Bank for that purpose will be automatically retired by the payment of those overdrafts, on the well known principle that the repayment of a loan destroys a deposit.

Under those conditions you will immediately make it possible for a number of producing organizations which are now moribund, and which cannot meet their interest charges, to go back into production and employment. And on the other hand, by the other suspension account to which I referred, you will begin, and will proceed at no small rate to provide every individual with a stake in all undertakings in a way which is not a tax on other people, but with the necessary purchasing power to buy the productions of the country, without it being necessary for them to pass through the turn-stiles of the factory, as we may say.

That does not meet certain other difficulties which arise under these existing financial systems but it does directly focus the attention of the public upon that locus of the difficulty, and it does bring up in our opinion for public discussion this question of the right to monetize, or still more important, not to monetize, existing real wealth. That, under existing conditions, seems to me to be one way to attack that citadel of real wealth. When that citadel falls (as it must fall, I feel confident, in a few years' time, but it is better perhaps that it should fall by successive steps, than by a catastrophic shock) it will undoubtedly involve certain measures for the control and reduction of prices, measures with which I think you are all probably to some extent familiar in this house. But none of these theoretical objectives can be properly attained so long as this monoply of credit remains unchanged.

QUESTIONS AND ANSWERS—MAJOR DOUGLAS

Q. Mr. MacLEOD: May I ask a question which was substantially put to Mr. Aberhart when he appeared before the committee a week or so ago. As Major Douglas covered the grounds to which this question refers, I am going to put it now: Is it not true that the goods and services available in Canada, and the tools by which they are produced, distributed and exchanged are the personal property of private individuals?

A. They are unquestionably under the personal administration of private individuals and the answering of that question in the form of yes or no would of course depend entirely on what you mean by property. Tools and other implements of production are not in themselves anything but the means to the production of consumable products. Now the administration of tools and assets in the most comprehensive sense of the word is, under our present system, vested in the individual under the fiction, as I would put it, that those tools and other implements of production are his property. That is a pure fiction, because every country reserves to itself the right to make all sorts of rules, not only as to the methods by which they shall be used, and the conditions under which they shall be used, but the extent to which they shall be taxed and so forth. What is really left to the individual under our present system, is the power of administration within this framework which is set down by the laws of the country.

So far as I am concerned, I am strongly in favour of leaving that where it is because I believe that the administration is better carried on under that system than under any system of which we have any knowledge, and I think the conclusive proof of that is that our present civilization, our present organization, has been brought to its present pitch of glut, or successive production, by that system. The problem of the present time, looked at from the most orthodox point of view is a problem of glut, not a problem of scarcity. Now we have reached that glut by this present system, and to the extent that departure has been made from this present system there has been departure from the condition of glut. For instance, and I say this again without having any bias in the matter, but simply look at it from the point of view of the engineer, there is only one country in the world in which you have absolutely uniform and universal state administration or production. There is only one country in the world which is suffering from scarcity, and that country is Russia.

A short time ago, two or three years ago, I was approached by the Soviet ambassador in London to see if I could render them any assistance in their situation. I had most of their data, and I talked over the whole situation with them and I have met at various times the chief consulting engineers of the Soviet government and so forth. I said that I could do nothing for them at the present time, that their problem is a problem of production; they have not got the things to distribute. Our problem in Great Britain, Canada and elsewhere is a problem of distribution. We have either actually or potentially more than we know what to do with and that situation has been brought about by private administration of tools of production with certain limitations imposed on them by the government.
Q. **Mr. MacLEOD:** Without going over the first question, Major Douglas, I would like to develop your answer further by just saying what you have in mind when you mentioned the present system. Do you readily recognize it as a defect in so far as it fails to distribute the goods, and if it is, just how much would be involved in your mind when you refer to the need of governments making regulations so that those goods can be distributed?

A. I do not think that any government regulations other than a complete reorganisation of the financial system are necessary. In regard to the distribution of goods, it is not a question of administration at all. The difficulty of distributing a government-produced product is just as great as that of distributing a privately-produced product if the price is the same. The question of distribution is entirely wrapped up with the two factors of price and available purchasing power and is entirely separate from the method of administration by which the goods were produced.

Where the legitimate field of government regulation of industry comes in, is under what we should call, I think, factory act legislation. That is to say, that people should not work in an unhealthy atmosphere, and not work too long hours, and matters of that kind. These have nothing in themselves to do with the distribution of the product. The problem at the present time in the world is the problem of the distribution of the product, and that is entirely a question of finance.

**Mr. MacLEOD:** I do not think there are any further questions I could put that would be greatly different from the ones that I have already stated. I have other questions here, but possibly Major Douglas has not come to the point where the questions would apply. We will be very much interested in knowing to what extent we in this province can apply this theory of social credit, but I realize that Major Douglas has not come to that point in his address so far, so I will not present the questions now.

Q. **Mr. MATHESON:** Do you consider that any government anywhere, under our present financial system can continue to administer the affairs of the electorate without going progressively further into debt?

A. I can answer that very shortly: No.

Q. Is it not true that all governments have done so in the past, more especially in the last ten years?

A. Absolutely.

Q. Would any policy of economy or tariff reform correct this condition?

A. It would only make it worse.

Q. Do you consider that we have reached the stage of diminishing returns in taxation?

A. Yes I do. I might perhaps amplify that. There can be only two theories at the present time as to why the goods which are produced, or could be produced, cannot be bought. The fact is, I think, admitted. Now one of these theories, and this is the orthodox theory upheld by the bankers and the orthodox economists, is that there is sufficient purchasing power distributed by those goods, but that it is inequitably distributed and that therefore the poor are poor because the rich are rich. Now if that were true, there is ample justification, if not ethically, at any rate practically (if there could be a difference between ethics and practical things), for steeply graduated taxation of the rich. If it were true that the whole cause of the present difficulty is because the rich have too much money, and therefore the poor have too little, steeply graduated taxation would obviously be the remedy, and the more steeply you graduated and the more you increased taxation, the more effective it would be and the better off the world would be. Now we know as a matter of fact that never has taxation been so steep and so onerous, and never has the existing financial system worked so badly, which I think is practical proof that that is not the answer. The other answer is, of course, that there is not sufficient producing power even if it were all pooled, to provide for the purchase of the products which are available, and the reason for that is that the power of monetization of the wealth which is there is held by this monopoly to which I refer.

Q. Will the reduction, or restriction, of wheat production increase the purchasing power of the farmer, of the people in Western Canada, do you think?

A. Well, the answer to that of course depends on whether it is possible to increase the purchasing power generally of the community by raising prices. Now of course the answer seems to me, to anybody but a banker or economist, is to be that it is not. If you have a certain amount of purchasing power, and you double the price of all articles for sale you halve the purchasing power. The increase in the price of wheat does apparently for the moment increase the purchasing power of the wheat farmer, but the question is where does that increased price come from? There is of course the alternative theory about this thing, but it is not the orthodox theory, and it is not what you might call the public opinion, but the indisputably correct theory about prices is that the price must ultimately be paid by the consumer, so by increasing the price of wheat you simply take more purchasing power off the consumer as a whole; there can be no doubt about that, so that while it may be possible to increase the prosperity of the farmer temporarily, you are bound under orthodox arrangement to do that at the expense of the rest of the community.

Q. You have just returned from the Antipodes. Are conditions in Australia back to normal, and have the Australians made a wonderful recovery, and what is the cause of the rapid increase in Japanese export trade?

A. I feel that strictly speaking I ought not to answer that question because it is dealing with what you might call a friendly power, but I think I can assure you that conditions in Australia are very far from being satisfactory to the Australians. The only thing that I can definitely see any sign of improvement about, in talking to Australians—although I spoke in several Australian cities I was not in Australia very long—they agreed, and it was common knowledge, that the price of wool has risen, and as wool is a staple product of Australia, there was a feeling for the moment among wool growers that things were a good deal better, but beyond that there is no sign of a general increased prosperity.

Now in regard to the question of Japan, which is incidentally very much linked up with wool, because Japan is becoming a large wool buyer and I think that the wool districts of England might take very considerable notice of what is going on there, because, having captured the cotton trade, Japan is out for the wool trade, too. Japan is doing this almost unquestionably by what might be called the upside down use of my views. She is subsidizing the export trade using the national credit for the purpose of providing the purchasing power or subsidy. I think there could be no doubt at all about that. The orthodox explanation of the fact that Japanese export trade last year increased 53 per cent, where the export trade of most other countries fell or remained practically stationary (no country in the world had ever registered such a growth in its export trade in one year), is that it is due to the very poor standards of living of the Japanese and the very low wages.

Now there are two answers to that, to show how ridiculous it is. In the first place it is not true. I have been in Japan and I know numbers of Japanese and I am fairly familiar with conditions there. These statements are based first of all on a complete misapprehension as to how the Japanese worker is paid. He is paid a certain sum of money, which is very little more than pocket money; he is housed, his games are provided for him, in many cases his food provided for him in canteens, either free or at a very small charge, and as I say, his wages paid over in money are very little more than pocket money to him, and his pocket money is considerably greater than that of the equivalent workman, let us say, in Great Britain. But even disregarding that entirely, the standard of living in Japan is very high, looked at from their point of view. They do not want many things that we regard as a high
standard of living, but they have pleasant houses, good food, good clothes and plenty of amusement, and in many cases excellent social conditions of all kinds.

Quite apart from that, one of the things in which Japan has made the most tremendous strides in completely displacing other countries is the rayon silk industry. I have more or less confidential information as to what the direct labour charges on rayon are. I will not give you those figures, but I will say the direct labour charges on the production of rayon are less than three-quarters of one per cent of the total selling price of rayon. Now what difference to the capture of the world's rayon trade does it make? If you double wages, when the wages are only three-quarters of one per cent of the selling charge? That sort of thing applies to a great many of the things which Japan has captured, and she is doing it by supplying national credit to the export trade.

Q. Mr. Matheson: Following my question of a moment ago, regarding going progressively further into debt, do you think the financial interests will impose a trusteeship on the western farmer, similar to the one recently wished on Newfoundland, or is this necessary under present conditions?

A. I think I should be merely entering into the realm of speculation on that and I would like to be excused.

Q. In your opinion is the increased upturn in world production due to the increased demand for armaments?

A. Yes, broadly speaking, I have no doubt.

Q. Can we subsidize wheat and coal for export without going into debt? Would such action debase our money?

A. No; it could be easily done.

Q. Has any central bank in any country solved the problem of want in the midst of abundance? If so, was it privately owned?

Private Ownership of Central Bank

A. Well, I don’t believe myself that the question of private ownership, so-called, of a central bank, is a matter of any importance. It is really not fundamentally necessary, as I said at Ottawa in 1923, and was very much laughed at, for a bank to have any capital at all; it can make its own capital. But the central banks which are being formed with such rapidity all over the world—I think there have been 28 formed since the war—are being provided with a capital, apparently, to provide a smoke screen, when they need capital, and partly to give a comparatively small number of people, but in many cases a large number of people (in New Zealand, very small), a share in the loot. But the essential point is in no way involved in the private ownership of the banks. The point is, what policy the bank carries out, and the policy which the bank carries out is not affected at all by the ownership of a certain number of shares by the general public. In fact, the article of association almost expressly prevents it being possible for the private owners of the shares to dictate the policy, so that any discussion as to whether two or three million dollars of shares in a central bank should be privately owned or publicly owned, is simply diverting the attention of the public from the main issue, which is: What policy does the central bank pursue, and how is it linked up with the other central banks of the world, and to what extent is the policy of the country in which it exists completely dominated by outside interests?

Q. Following that, do you know if the Bank of England is favourably disposed to the formation of a privately owned central bank in Canada and do you know if two of their officials travelled with the Macmillan banking commission recently touring Canada?

A. I am quite confident that it is the policy of the Bank of England to force central banks on every country everywhere. The only answer that I can give to the second part of the question is, I am surprised that it was only two.

Q. I would like if you would elucidate two things for the benefit of the committee. Just in what way would you use the undisclosed assets of banks and insurance companies to distribute purchasing power to the farmer, and secondly in what manner could we liquidate our provincial debt under social credit?

A. I think I should probably be more helpful in answering that question if this afternoon I actually read the proposals which were made to the New Zealand government and then elaborate those to any extent that you like.

Q. Mr. Cameron: When your proposals were discussed in this house before the committee about two weeks ago, the question of just price was discussed to some extent. My question is this, can the province of Alberta fix a just price?

A. You will realize that is not a technical question; it is purely a legal question and I am not really competent to answer that, but my understanding is that, as a first step, it would be extremely difficult, because of the powers which seem to be reserved to the Dominion Government under the British North America Act.

“A Plus B” Theory

Q. Mr. Gibbs: Major Douglas, you took us through a very interesting story of the development of money, starting from the non-portable wealth, referred to as cattle, then to the tokens for cattle, then to the portable wealth, gold, then to the receipts for that portable wealth; and, growing out of that, a large surplus or excess of receipts for the portable wealth upon which they were supposed to be based. I am coming to this point, that that excess of receipts was a necessary expansion of medium of exchange brought about by the industrial revolution and the tremendous increase in productivity of the industrial production system, and that it eventually became not mere receipts for the portable wealth, but credit for other forms of wealth that were deposited or mortgaged to the people who had the privilege of using credit. Now we are very interested in your “A plus B” theory, the theory that there is never put into circulation a sufficient amount of purchasing power, and personally I would very much like to hear you tell us a little more of that theory which I believe is basic to the Douglas system.

A. Well, that question of course is outside what I was speaking of this morning, but I have no objection whatever to answering it shortly. The best way of understanding what the speaker has referred to as the “A plus B” theory is to look at the matter in this way: The purchasing power of the general community is practically 98 per cent, I think, taken over all products, bank money. The actual deposits in banks under what are sometimes called “normal times” (I don’t know what normal times are, but they are frequently referred to so we will assume that there are normal times) the deposits remained fairly constant. For instance, in Great Britain since the war they have reached around between 16 and 18 hundred millions of pounds. Now there is quite obviously a circulation of those deposits through the agency of costs. They are distributed for wages and so forth and they come back to the same source through the agency of price. That is the way the existing financial system works.

Now all business in the world at the present time is carried on on the theory of the balanced budget, including governmental business. Therefore, you must have a right, or period of cycle through which this money which starts from the banks goes out through cost and comes back again to the banks through the agency of price; there must be a time that that cycle takes. Now we have as a matter of fact means of calculating that time, and in Great Britain the average is somewhere in the neighbourhood of around about three weeks. Now, so long as a charge is incurred and liquidated inside that period of three weeks it can be liquidated by that cycle of the flow of purchasing power, starting from the banks, going out through costs and coming back again through prices. So long as the whole transac-
tion of costs and prices is involved in a period of about three weeks, there is no difficulty involved in the prices and the costs being equal, but any item of cost which is outside that period of three weeks we will say cannot be liquidated by that stream of credit which is constantly in circulation at a period rate, we will say of three weeks.

Now we know there are an increasing number of charges which originated from a period much anterior to three weeks, and included in those charges, as a matter of fact, are most of the charges made in respect of purchases from one organization to another, but all such charges as capital charges (for instance, on a railway which was constructed a year, two years, three years, five or ten years ago, where charges are still extant), cannot be liquidated by a stream of purchasing power which does not increase in volume and which has a period of three weeks. The consequence is, you have a piling up of debt, you have in many cases a diminution of purchasing power being equivalent to the price of the goods for sale. It is frequently said, "Your theory must be absurd because we know that there are periods in which purchasing power is in excess of the price of the goods for sale, for instance at the end of a war." What people who say that forget is that we were piling up debt at that time at the rate of ten millions sterling a day and if it can be shown, and it can be shown, that we are increasing debt continuously by normal operation of the banking system and the financial system at the present time, then that is proof that we are not distributing purchasing power sufficient to buy the goods for sale at that time; otherwise we should not be increasing debt, and that is the situation.

Q. Mr. PATTINSON: Mr. Chairman, I would like to ask one or two questions, and one is in relation to the huge amount of talk that is being indulged in today on the necessity of restricting production in order to enhance prices, and as one way out of the present so-called depression that we are in. The question is, can we ever solve the paradox of want in the midst of plenty simply by doing away with plenty?

A. Of course the answer is simply one word; it is, No.

Q. Is not Canada's richness in natural products a factor in favour of adoption of your plan?

A. Yes, it is without doubt, and I should place very high its natural suitability, its tremendous facilities in regard to water power.

Q. Would the number of tickets be unlimited, or would that be regulated by the actual production of potential production of goods and services?

A. Quite obviously there is no sense in having a ticket for something that does not exist. There is equally no sense in having something existing for which nobody has a ticket.

Q. My reason for asking that is many that criticize your scheme think that it means unlimited credit and unlimited tickets to be issued. I have a further question: Assuming that it was decided to put your system into force say on January 1st, 1935, what would be the first step? Would national dividend be paid each month as from January 1st, 1935, of course on the basis of national wealth already created? Or would the first step be to abolish certain taxes such as the sales tax and so forth and the national dividend be commenced after the balancing of the loss of revenue previously received from sale tax and so forth?

A. I think you will realize that that question is capable of two entirely separate answers. The first answer would be what would happen if I were an absolute dictator—which I have no desire to be. You could then do certain things which would be purely in line with the correct theory as to how the thing ought to be done, and of course it is that argument which is always brought up for a dictatorship, of which I am a convinced opponent. But the other answer is what can you do, having the situation in the world as it is at the present time, and that answer is not the same as the answer which would be given in the first place; the answer to be given in the second case really involves what is the first trench of the existing system that you can take in the direction you want to go, and I was just hinting at that this morning, and I propose to elaborate that this afternoon.

Q. Is there any way to stop the erratic retreat in living standards except by changing our present method of distribution of goods and services created?

A. Yes, and it constitutes the greatest danger with which the world is faced at the present time. There is no difficulty whatever in providing the world with a rationing system if you establish everywhere a complete dictatorship, leaving all powers in the hands of the dictator. Unless steps are taken within a comparatively short time to readjust the financial system so that it will work, the financial system as we know it will be swept away and we shall be faced everywhere with some form of dictatorship, either Fascist or what is called Communist which is, I think, in the strict sense, not Communist at all but another form of dictatorship. It is possible to deal with the material basis of the present problem; it is possible to provide for the general public a higher standard of living, through the agencies of a dictatorship, but that involves a surrender of all those things for which the Anglo-Saxon race has fought for a thousand years.

Q. Has the relative condition of self-sustaining nations in the way of natural products anything to do with industrial conditions and the hope of financial salvation?

A. I do not think, with one or two exceptions, that there is any country in the world at the present time, certainly no country operating under what one would call westernized conditions of mass production, the use of power, which is primary to the whole thing and matters of that kind, I do not think there is any country in which it is at all difficult physically to provide the whole population with the highest possible standard of living that anybody could reasonably desire. In the westernized countries it is entirely a problem of distribution, and a problem of distribution can be only solved either by a dictatorship or a modified financial system.

Monetization of Wealth

Q. Mr. FARQUHARSON: Would you enlarge on the idea of the monetization of wealth?

A. The monetization of wealth is at the root of the whole of this problem. In order to understand it, I must take you back a little to the consideration of the conditions under which modern wealth is produced. One idea which is still prevalent in the minds of a great many people is that people who work, produce, exchange their wealth with each other. Now they do not. A little consideration of the world that we all live in will show you that that is not true. Many of you are interested in growing wheat. You do not eat wheat. Now supposing that you have adjacent to the wheat lands of Alberta a wool country, it would not be any use of you exchanging wheat for wool. You do not eat wheat, you do not wear wool; you wear woolen clothes, quite a different thing, and a modern production system is a scientific system. The people who are engaged in it turn their product (which probably by itself is of no use in the form in which they make it) into a central pool of wealth from which the individuals, the consumers, draw by means of what economists call effective demand, and effective demand is simply tickets. Now the monetization of this central pool of wealth is in the hands of a monopoly that we call the financial system. The central pool of wealth is there. We hear all over the world a great deal of the desirability of a co-operative commonwealth. We have a co-operative commonwealth. There is no other sort of commonwealth existing at the present time. The whole productive system is a co-operative productive system. What we have not got is the proper means of drawing from that co-operative commonwealth which exists at the present time beneath our very noses. We are in exactly the same position at present as this—I gave this illustration in Vancouver three or four days ago—supposing you imagine that the population of Edmonton had to
travel to Calgary as an absolute necessity of life. Supposing that all those goods and services that we term the “standard of living” and “the means of existence” and so forth, be all involved in travelling from Edmonton to Calgary. You have the track, you have the locomotive, you have the train, you have the drivers, you have everything necessary to transport the population of Edmonton to Calgary just as often as you want; but, completely outside that, you have a ticket office which has acquired the sole right to issue tickets, and the railway between Edmonton and Calgary has got into the habit of only allotting seats on a train on receipt of a ticket. Now the ticket office did not make the railways; it does not operate the railway in any real sense of the word, but it says, “We are the only people who have the right to print and issue tickets for this journey between Edmonton and Calgary, and we will make our own terms. We are not interested in whether there are enough trains, or whether it is vitally necessary that the population should travel; we are the people who will make the terms on which the tickets are issued; the tickets are our property.” Now that power of issuing tickets forms a valid claim on the real wealth. It is the power of monetization of wealth. It has nothing to do with the production of wealth. The production of wealth is a physical process attained by machines with the aid of power, operated by individuals. They make things. They grow wheat, they bake it into bread and so forth; they do not make one penny of the money which provides those things; that is in the possession of this thing we call the ticket office and I think you will see that you cannot possibly really get any distance at all in solving this problem of getting the goods which are purchased, or can be purchased, over to the individuals who need and want them, until you get control of the ticket office. It does not mean to say that you have to operate the ticket office; it doesn’t even mean to say that it has to be nationalized. What it does mean is that you are going to lay down the conditions under which tickets shall be issued. That is a question of policy that the right number of tickets shall be issued, and shall not be used to impose a policy upon the public. That is a matter of public policy, and that is the thing with which you will have to grapple.

(Luncheon Adjournment.)

AFTERNOON SESSION, APRIL 6, 1934.

EVIDENCE OF MAJOR DOUGLAS—(Continued)

I think I said this morning that it might be helpful if I read out to you the exact phrasing of the preliminary scheme which I put before the New Zealand legislature. Just before doing that I would like to reiterate what I said this morning that it seems obvious that the position in New Zealand was such that for the moment New Zealand was to some extent tied by its great indebtedness to Europe, and that therefore it would be necessary to take the situation as it stood, and endeavour to take some action which would not go the whole way to deal with the situation, but would be a step in that direction, a step from which further effective measures could be taken. This was the scheme that was put forward bearing that situation in mind.

From the enactment of these proposals, no bank in New Zealand shall distribute dividends either in or outside New Zealand in respect of operations carried on within the Dominion of more than 6 per cent per annum on the subscribed capital.

No bank shall increase its capital in such a manner as to affect the gross amount of dividend distributed in respect of the business carried on in New Zealand, except with the consent and through the agency of a legal enactment of the Dominion legislature.

Within three months from the enactment of this proposal every bank operating in New Zealand shall make an exact return of its assets, specifying all stocks, shares and debentures purchased by the bank, the prices paid, and the prices at which stock, shares and debentures are held on the books of the bank for the purpose of the annual balance sheet. The same procedure shall be adopted in regard to all real estate, buildings, and all other immovable property, together with furniture, fixtures and appliances in the bank’s furniture. Such statement shall include a sworn declaration of the market value of such assets (reads statement).

No doubt it is very difficult to grasp the meaning of a proposal of this kind by listening to it being read. I propose to leave a copy of this with Mr. Brownlee so that he may make whatever use of it he desires, but I should like to explain to you one or two of the general principles underlying the idea of those schemes. Under the control of these two sets of organization, the banking system and the insurance system (which latter, as many of you realize, is merely one branch of the financial system of which the banking system is another) there lie enormous quantities of wealth to which no money value has been allotted, as you might say. For instance, I am informed on fairly good authority that the very large quantities of war loans which were held by the joint stock banks in Great Britain a few years ago, which, broadly speaking, were standing at figures in the market of between 90 and 100, were held on the books of the bank at figures ranging between 10 and 14. The same thing applies to bank buildings. One of the greatest banks in France is the Societe Generale, that has increased its branches in the past 20 years or so from about three to something like 900 or 1,000—1 am not quite sure about the figures—but the number is very large anyway. When I last saw the figures of that particular bank, the figures of the value of the various bank premises stood at exactly the same figure when it had about 900 branches as when it had about three. The same thing is true practically of all financial institutions. What a variation between the figures at which those possessions are held for balance sheet purposes, and the figures of the market price. I do not suppose anybody knows outside the auditors of the banks, if indeed they do.

Now that represents simply unmonetized wealth, and these proposals do not suggest taking away of the wealth itself, the actual physical wealth, from those institutions. They simply provide for the taking away of the monetization power of that wealth, and distributing it to the public, leaving the actual ownership, if you like, exactly where it is; dealings with the financial institutions exactly as they are at present dealing with the general public, only it is challenging the right to appropriate this monetization, which at the present time is tacitly assumed to be the property of the banking system alone.

Now to make that aspect of the thing clearer, particularly the aspect which has to do with the purchase of shares for the benefit of the general public, consider what happens when a large financial institution such as the Bank of England buys any form of real wealth. Let us take the simplest form of what the orthodox economist and banker considers to be the only real wealth, apparently, and that is gold. When the Bank of England buys gold it gets it for nothing; it gets it for nothing by the simple process of giving a cheque or a draft upon itself for the market value of the gold, taking the gold and handing over a piece of paper which is a draft upon itself. The gold which then comes into its own possession is the backing for this draft upon itself. When that draft is paid into the account of the purchaser of the gold, it is used for the purpose of buying goods and services which are provided by the general community so that the net results of the whole transaction is that the Bank of England acquires a block of gold for nothing, or for the price of a piece of paper. The general public supplies to the people who have got that piece of paper to the value of the figures written upon that piece of paper. You have in that case the simplest instance of the monetization of wealth—the gold itself—the monetization of something which at any rate may be considered as wealth.

We will take the view for the moment that gold is real wealth. I might say something about that too, but that is another matter. The gold belongs originally to the people who mine it, we will say. It only acquires monetary value by being handed over to some other institution which substitutes a piece of paper with a
signature on it for the original gold. The original owners of the wealth lose the wealth, but they get the monetary value which is represented by a piece of paper. That monetary value is of no value to them at all, except because of the willingness of the general public to supply goods and services for it. So that what really happens is that the general public supplies goods and services against nothing but a piece of paper, and in that case the Bank of England gets the gold.

Over-Subscribed Loans

Now exactly the same process takes place when you have the issue of a large public loan such as in Great Britain, the "Central Electricity" or something of that sort. You will always find a perfectly gilt-edge security, no matter how bad the times are, is always over-subscribed, and it is generally assumed by people that there still must be a lot of money in the hands of the public. Well, the fact is that the large financial institutions acquire all this property security for nothing by the simple process of writing a cheque upon themselves and taking over the security. They then get four per cent, or whatever it may be, on those securities as long as they hold them, and the general public say in this case the concern which is carrying out the work gets the use of the money which was paid for the debentures. There you have, of course, a slightly different situation in operation. If they are debentures on work which has not yet been created you get a monetization on something which has not yet been created. However, you get a monetization on works which will be created in the future, and the monetary value of that is paid over to the actual contractors for the purposes of wages, and salaries and things of that sort, whereas the securities representing that wealth come quite automatically into the hands of the financial institutions, the same thing being very largely true of insurance companies.

What is proposed as the first step in regard to these matters is that instead of the banking institutions and the other financial institutions getting those securities for nothing, the public shall get them for nothing. That is the only difference. I leave it to you to decide whether the banking institutions or the public have the greater right to get the security for nothing. But the effect of that is to provide for the payment of dividends to an increasing number of the public, thus giving them almost immediately, first of all a certain amount of economic security, secondly a definite stake in the country and interest in the carrying out of public works and matters of that kind, and thirdly the provision of purchasing power outside the actual ticket pay office of the factory, as you may say; in other words, the separation of the ticket function from mere employment.

You will also notice that these beginnings of the provisions of a national dividend, without the nationalization of any business of any kind, leaves the administration of the business exactly where it was before. It merely increases the number of shareholders and it provides that an increasing number of shareholders shall have a recognition of their shares in the common hereditary that we were speaking about this morning, through the very tangible method of holding shares. That is exactly what it amounts to. That seems to me after some careful consideration of the situation to be a good first line of attack upon this monopoly of credit.

The U.S. Social Credit Bill

There is at the present time before congress in the United States a social credit bill. I have read that bill over cursorily. It is based on my own ideas, and it contains various provisions for the just price and so forth, and it is very interesting and I think it is quite sound. I should recommend it to the attention of all members of this legislature. I do not think that there is very much chance of a bill of that description going through at one fell swoop. I would be extremely surprised if it did, but it is a very instructive thing to read and copies of it can be easily obtained. It has been reprinted in the "New English Weekly" of some recent date.

That is half of what I want to say this afternoon. Now the second half I am only saying because of your great indulgence in giving me great latitude in talking, and I think you know that my own desire is to assist everybody concerned in order to get this business straightened out.

Revolutionary Method Ruled Out

The two methods by which anything can be put through of a social nature, certainly anything of such magnitude as this, are the "revolutionary" and the "constitutional." I particularly rule out the revolutionary for reasons which I touched on this morning. If the world is driven into another great war by the existing financial system, as might quite reasonably and quite possibly be the case, then anything may happen, but under present conditions the constitutional method is the only method reasonably available to get things off this kind done. For that reason I think it is a matter of great importance to grasp what are the possible functions of a parliamentary institution. I believe myself that parliamentary institutions have weakened their position very much by not realizing quite what are their legitimate functions, the things that they could do, and the things that they could not do. A parliamentary institution is based on what we call democracy, and democracy is a method of electing members through the agency of majority. The majority in matters of detail, in matters of intelligence, is, broadly speaking, always wrong. Minorities in matters of this kind requiring special intelligence are invariably the only people who can be right. The matter is very nearly capable of mathematical demonstration in this way: Supposing you take a series of questions of increasing intricacy and you then pick out men at random in the streets of Edmonton representative of democracy, and you apply those ten questions of increasing difficulty to your selected ten men. Now, when it is a very simple question the ten will get it right; when it gets a little more difficult nine will get it right, and when it gets a little more difficult eight will get it right; as it gets quite difficult and involved five, four, three, two and eventually one will get it right. The more intricate the question is the more certainly it will be a minority that is right about it and the majority that is wrong about it.

Now I think that is a very important matter to bear in mind as to the legitimate function of a democratically elected parliamentary body. There is nothing in what I say which prevents any individual representative of democracy being an expert on anything at all. What is undoubtedly the case, I believe, is that as a representative of a majority he is not there as an expert; he is there as the representative of a mass desire, because majorities feel, they do not think. Speaking of them as majorities, they simply feel. They know that they want a good dinner at least once a day. They do not know how to get it in many cases. They are quite sound on the fact that they want a good dinner, but they are very nearly unsound as to the best method of getting it; otherwise, we should not see the methods of getting good dinners extant today, they would have been abandoned some time ago.

Let Experts Work Out Details

Now I believe if pressure is brought to bear on parliamentary representatives, and in turn parliamentary representatives will turn around upon the functions of the commonwealth, of which they are undoubtedly the supreme repository (that is apparently what parliament undoubtedly is—a repository of the functions by which society is kept together) if they will turn around upon the various people who exercise certain functions in the state, notably in this case those who actually do manage the money system at the present time, and say to them, "We are not going to tell you how certain things should be done; it is not our business to tell you how certain things should be done; you are experts; you assume that you are experts by running this money business. We insist as representing what is quite truly and properly described as the sovereign power of the people that you shall work this system so that it delivers the goods. Now if you do not know how to work your own system so that it will deliver the goods, we will provide you with expert advice when you say that you don't know. We will not do it until you say that you don't know, but if you don't know how, we will provide you with expert advice—there is lots of it about—and if you will not take the expert advice when it is offered to you we will put you out.
We will not tolerate a state of affairs which is producing such chaotic and tragic conditions in the world today as are being produced by this financial system.

That is where the focus of the trouble is, but I believe that parliamentary bodies make a great mistake in saying how the job should be done. Just so long as one parliamentary body says it should be done this way, and another party says it should be done another way, the people running the money business are justified in saying, “When you have composed your own difficulties and know what you want, then we will be prepared to do something about it,” and they will see that you do not compose your own business.

You hand over the situation to the existing controllers of credit by telling them as a parliamentary institution what they ought to do. Your business is to tell these people that the job has to be done and if necessary to remove them or provide them with advice, or anything that may be necessary to see that they do the job. In that way you place the responsibility fairly and absolutely where it belongs. When you discuss how it should be done you take the responsibility which is not properly yours.

That, gentlemen, makes the second half of what I had to say.

Q. Mr. Ross: Under the British North America Act the provinces have no control over currency and banking. Is it possible to establish a system of social credit in any province under these conditions? If so, please explain how?

Q. Mr. Gibbs: How is it proposed to put the Douglas system into effect within a territorial unit that has no power to issue or even to define legal money? To what extent would the social credit issued within such a unit differ from script, and how would the credit house avoid the necessity of having to redeem its credit issues in some form of money which it has no power to create and which under present arrangements it would have to borrow?

A. You will realize from what I have been hammering at a good part of the time I have been speaking, that these questions, questions of this character, really fall under the heading of what you might call politics or military strategy rather than technique. They are simply a question of what you have power to do or what power you can obtain. So far as Alberta is concerned, I take it from the information that has been given me, that all power over finance and banking as such has been skillfully removed from the power of this house. You have, if I may sting you into annoyance in this matter, been reduced to the status of a parish council in regard to the most important matter which affects you in Alberta. That is only a part of a general policy which is being pursued with great skill on the part of the advisors of the financial system to make every question larger and larger and larger, so that you have to get a bigger and bigger conference before you can get anything done, eventually leaving every question a world question, so that nothing can be done in regard to it unless you have a world conference, and we all know what comes out of world conferences. It is quite a well-defined principle, that, and it has been pursued very skillfully.

Alberta's Position

The obvious answer to it is to make the question smaller and smaller and smaller, so that you can get to grips with it and get something done about it. In regard to Alberta, I should say, and I am of course open to correction by the legal talent here, that the first thing to do is to concentrate on the financial institutions and employ whatever powers you have got left, not to put too fine a point upon it, to penalize these institutions. You have got to get a sanction in the political field to bring to bear on this situation to get something done. It is not the slightest use as far as I can see going to the financial people and saying: “This has to be done because of the state of the world, because the people are starving in the midst of plenty.” Whether because whom the gods destroy they first send mad, or for what reason, they seem impervious to any argument of that kind. They are simply pursuing a perfectly standardized scheme and nothing seems capable of deflecting them from it, so that you have to get some power of bringing these people to reason. The question is what power can you bring to bear in Alberta? Can you tax them heavily? Can you place restriction on the carrying on of that business? Those are questions not for me but for you. How can you go up to a bank manager or a bank director and say, “Look here, if you do not do certain things, if you won’t listen to what we have to say about this sort of thing, we are going to make you feel it. We don’t care how we make you feel it, but we are going to make you feel it. It is not personal; the questions at stake are much too great for anything of that kind, but we are going to locate you in the eyes of the public as being the people who are causing this trouble, and in every possible way which is still left to us, by our legislative powers, we are going to put up something to bargain with. We are going to impose on you these things and we will take them off when you will do such and such, according to what we are advised by our expert advisers, but we have got you on the spot.”

That gentlemen seems to me to be a question very largely for you, but I feel sure that is the only method by which that can be done. Singing sweet songs to these gentlemen and putting up schemes of any kind is not going to do the job, for it if so happens that you put up a scheme such as my own or any other which traversed the existing financial system and it happened to be legal—I don’t think that it could be illegal because the situation has been so carefully surveyed—it would be made illegal within six months. The situation was well sketched in “The Mikado” when it is said, “Such is the law, I made it so.” If the law is not sufficient to permit you to put a good scheme for the benefit and protection of the public, then the law should be changed so that you can do it. So you have to see what you can do to fight back and, as I say, I think that a question for you in this house with your knowledge of the laws of the country rather than for me.

Could Do It in Three Months

Given the power, either I or dozens of other people could provide you in three months with a scheme which would work perfectly and put Alberta, or Canada, depending on the extent to which it is applied, forever outside the range of poverty. But you cannot do it because you won’t be allowed and it is your problem to find out how to get the power to put into operation a technically sound scheme.

Q. Mr. Gibbs: The second question presupposes the Douglas scheme being applied to a national sovereign unit in which the difficulty referred to above need not occur. How is the system of production and distribution for private profit to be maintained intact and still permit the issue of social credit as a free gift to potential consumers, which social credit constitutes not only a legal demand on goods and services that are privately owned, but also by implication at any rate, a promise to give in return an equal value of goods and services?

A. I think I answered that question by reading to you the scheme for New Zealand. Social credit from the technical point of view is simply the power to monetize real wealth. That is very nearly a complete definition of social financial credit. The power to monetize real wealth is now a monopoly. We want the power to monetize and distribute money to be public property. In the method of administering the production of wealth, there is no necessary relation whatever between the methods of administering the way in which goods are produced and the distribution of the products of that production, and you can see that quite clearly if you grasp the scheme that I put forward to New Zealand. There is no interference in that scheme whatever with existing management. I believe in existing management. I do not believe that to call a committee meeting before anybody taps with a hammer is the way to get many taps out of the hammer, and I do not see any particular sign that a so-called nationalized administration is superior to private administration. Its financial results may be better at the present time; it may
eliminate what we call graft; it may eliminate excessive profits and matters of that kind; but those are not questions of administration; they are questions of finance, and if you will put the financial side of the thing right, in other words, if you will make it perfectly certain that however the goods are produced, whatever the administration under which the goods are produced, the product will reach the public on proper terms, that is to say, proper financial terms, you, I believe, are fairly safe in leaving the question of administration of production, at any rate for the moment, where it is. I am not dogmatic about it, but all I am absolutely dogmatic about is that the present difficulty does not arise out of the so-called private administration of the productive system, but arises out of the private control of the monetization value of real wealth.

Q. Mr. ROSS: Under the British North America Act, the provinces cannot place restrictions on inter-provincial trade. Could your just price system work under these conditions? Please explain.

A. Well, I don't quite see the relationship of those two parts of that question. You do not require to place any restriction on inter-provincial trade. If you have one price for an article in Ontario and another in Alberta, the ultimate essential, I believe, of a sound finance system is a compensated price, and that compensated price would result always in a lower price in the area in which it was in operation than in the area in which it was not in operation. The only result of that is you get a flood of buyers from outside the area where it is in operation into the area where it is in operation. In other words, you steal all the trade of Ontario under those conditions. That is exactly what is bound to happen.

If you look at it in the larger field of international trade, you can see the thing in this way: Supposing that today the Canadian dollar is fixed at 6½ gold francs—I do not know what it is today, but supposing you lowered the price level in Canada next week to half what it is—we do not need to go into the methods required to do the lowering, but simply imagine it lowered by half. Now it is quite obvious that six gold francs will buy twice as much in Canada next week as they will this week. Therefore, the Canadian dollar, which is the unit through which Canadian produce is bought, is worth twice as much, therefore the exchange rate between the Canadian dollar and the French franc drops from six to three; in other words, the result of lowering your price. There is nothing unorthodox about this. This is a perfectly ordinary trade theory. The international price of a monetary unit is governed by the internal price level. If you lower the internal price level, the purchasing power of your monetary unit goes up and therefore the purchasing power of that unit, in terms of external monetary units, also goes up, so that your exchange goes above par. That is the international result of that state of affairs and it would be equally true if you had a system in operation in Alberta and not in Ontario, so I am afraid that I cannot see the relation between that question and the facts.

Q. Mr. LOVE: The privy council has decided the province cannot by legislation prevent a corporation having a Dominion charter from carrying on business in the province by any indirect exercise of its legislative powers. Would not that very greatly limit the ability of the province to enforce its will on banks?

A. I should be inclined to think that that might be the direct result, yes. The question would then arise as to what the effects of these higher interest rates on the dividends of the banks were, and whether it would be possible to tax such dividends so that you could get those higher interest rates back again. I think that if your first-class brains—I am saying this very far from anything but seriously—if your first-class brains such as you have in Western Canada, legal and otherwise, were to concentrate on the problem of seriously imposing penalties on the banks for the penalties that they are imposing upon you, I think you could achieve that. I don't think you have given the situation half the attention that it deserves and I believe you could do it if you tried.

Q. Mr. BOWLEN: Is it true that new cycles of bank loans are continually being created and cancelled?

A. The answer to that of course is quite short: yes.

Q. Do you believe that the amount of purchasing power in the hands of the people of a community should always equal the value of all the property in the community?

A. The answer is that the purchasing power in the hands of the community should be equal to the prices of the consumable goods which are for sale. The consumable goods which are for sale must contain a considerable proportion of capital charges, and therefore the purchasing power in the hands of the community has to sustain a considerable proportion of the capital charges, which have to be levied in respect to capital which has depreciated and on which interest payments are made.

Q. Col. JAMIESON: Major Douglas, you said this forenoon, "Without surrendering the things we have fought for, for a thousand years." What are those things?

A. The things that we have fought for for a thousand years, I should say are, broadly speaking, the right to express our opinions upon any subject whatever, the right to see that we have control of such matters as education in its broadest form, the right to see that we are not plunged into adventures, national or otherwise, which are being pursued for reasons with which we could not agree and over which we have no control, and the right to see that we are not hindered in the attainment of legitimate desires which can be attained without preventing our neighbor from also attaining the same result. That is a very cursory view of the situation, but it is undoubtedly summed up in the word "liberty."

Now I will take my courage in both hands and pursue that subject just a little further, and say that the whole of what I have just been saying can be summed up in the fact or the desirability of the individual being free from undue control by the group; that the objective of all our social institutions is to further the interests of the individuals. The individual does not exist to further the interests of society; society exists to further the interests of the individual.

You have at the present time exactly the reverse philosophy being preached all over the world. The Italian Fascist code begins with the statement that the individual is nothing, that the state is everything. That is simply the same thing as saying that it does not matter what you grow in a field; it is the field that is important, not the flour, not the wheat, or anything of that sort.

Now from the social credit point of view we say that no institution has any value whatever in so far as it does not further the interest of the individual, not of one individual, but of all individuals, that it is the individual who is important, not the institution, and while it may not have been formulated in that form, that is what I firmly believe that the Anglo-Saxon has been fighting for for a thousand years.

Q. Mr. PAYNE: How are private debts, including mortgages, to be paid?

A. Well, a mortgage, of course, is simply the monetization of a piece of real property. Where the money has been provided by a private individual originally, the money has come from the financial institutions and obviously he should not be made to lose, but the mortgagor should be repaid the money which he has advanced on mortgage from the general credit, which is simply the monetization of the mortgage, that is all. There is one point of course that is very important about that, and that is, money which has been advanced on mortgage has generally been spent and has gone out into the general community, so that the general community has a contra asset, presumably costs have been incurred and there are assets against the monetization which would take place along the lines I am suggesting.
Q. Mr. RONNING: Did Major Douglas this morning intend to convey the impression that Russia's inability to solve her problems of production thus far is due to public ownership and control of the means of production and distribution?

A. Well, I did not mean anything beyond what I said. I said that Russia was the only large westernized area which had a production problem. Speaking as an engineer I can explain the situation in this way. You have in Russia a state of affairs where for the last 15 years or so a large number of experts from the United States and elsewhere have been putting up the very best plants of various kinds, probably, that exist at any rate in Europe. There is no difficulty about that. A sufficiently large force of engineers can utilize unskilled labour quite successfully in putting up very large plants; I have done it myself. It is quite a different matter when you try to operate those plants, to get the balanced flow out of those plants that is necessary. In some of the very large plants in the States and in Germany they have two or three generations of skilled workmen, a population which has used skilled machinery and so forth. In Russia they have got that population; they have simply a population which one generation ago were completely illiterate peasants, and those are the people who are operating these huge, delicate, interlocked plants and they are not operating them very successfully. The plants are all right, but the operation of them is something else again, and that situation has undoubtedly been very considerably complicated by the fact that practically the only way in which Russia could be industrialized in the time in which she had to do it was through a centralized government system of administration. If it had been possible for individual enterprise to put up a lot of small plants which, added together, would have had the same total output as these large plants (which is very largely the question in Canada or Great Britain) even if two or three of them were out of operation some of them would have been working. But if you have got one of those big plants out of operation, it makes too great a hole in the production for the year and that appears to be the actual situation in Russia. As to any political aspect of it, I have no views at all, but that appears to be the effect.

Q. If the goods and services produced in Canada are to be sold on the world's markets in competition with goods produced in other countries, how will state-regulated prices and wages affect the sale of Canadian goods against goods produced in countries without control of prices or wages?

External Trade

A. Well, the question of international trade can, I think, be dealt with fairly shortly. At present you have to have exports from a country, not because you want the imports, but because as a rule you take every possible means of seeing that you don't get imports by putting an import tariff on. You have to export a large proportion of your goods in order that you may import little bits of paper in order to buy the remaining goods in your country. You export your surplus goods for bits of paper; that is what you get, bits of banking paper. You don't get imports in return for those goods because you take care you do not by having a tariff to prevent them coming in. The last thing that the manufacturer under present conditions wants is to get a fair exchange for his goods. What he wants is to give his goods away for nothing and get a bit of paper in exchange. It is purchasing power that he wants, not goods. That is summed up in the orthodox theory that you must have what is called a favourable balance of trade. Every country is urged to have a favourable balance of trade. That means it has got to export more goods than it imports. Now if there were only two or three manufacturing countries in the world that is a workable proposition, but when nearly every country is industrialized then it is quite impossible for everybody to export more than they import. That is why international trade, so-called, is breaking down. You can provide the necessary purchasing power to buy your own productions. That does not mean that you will not produce a surplus of things you do not physically want. That would be the case in Canada at the present time. You obviously produce a great deal more wheat that you can possibly use at the present time. You either have to sell it in the world's markets at a price which will cover the cost of production, or else your producers, as the phrase goes, lose money, eventually become bankrupt, or go into the hands of the banks. If you were able to make it possible to sell your surplus in the world's markets at any price suitable, any price which would enable you to get the market, and at the same time see that your producers of wheat did not make a monetary loss, and these two things are perfectly possible, and are being done by Japan at the present time, then you could dispose of the whole of your surplus of wheat. The only possible reply to a policy of that kind would be for the opposing countries who combat social credit to adopt that plan. If you utilize, if you have control of, your own credit, you can make any price for anything you like, without the producer of that particular thing making a monetary loss. It can be done, and in that way you can control your own export market.

Q. Mr. MOYER: In order to eliminate all questions of law, and to get a definite application of your idea, let us assume the following question correctly states our legal position and that we cannot alter it: Can any provincial or municipal body which cannot regulate or punish or prohibit the operation of a bank, carry out your system? In other words, is control or the power of sanction necessary to the operation of your plan?

A. Well, of course, I think the answer to that is obvious without asking it: If you have no power to do anything, you cannot do anything. I am not pursuing the question because I am not, and cannot in the nature of things, be completely conversant with what powers you have, but if you have no powers, then of course you cannot do anything.

Q. Mr. FARQUHARSON: If wealth is owned by certain people and those same people own the tickets to wealth, what gives us the right to issue further tickets or a duplication of tickets?

A. I am not quite sure that I thoroughly understand that question. If wealth is owned by certain people and those same people own the tickets to wealth—they don't, that is the whole point. The wealth is a flow, real consumable wealth is a flow; it is not a static thing at all. The goods and services which we use from day to day have to be consumed pretty nearly as fast as they are produced, and the people who own or create the tickets in respect to that flow of wealth do not own it. What they do is to let out those tickets upon terms to the general public. The terms usually effect the creation of fresh wealth of various kinds commonly called capital wealth, but the wealth is not owned by the people who create the tickets. The wealth is coming into existence every moment, and the tickets which will obtain that wealth also come into existence as you might say every moment, but they come into existence in the hands of the financial system, and not in the hands of the public.

Q. Does your plan undertake to eliminate waste in the system of distribution?

A. Well that reminds me of the perfect gadget which would lay the fire and cook the breakfast and wait on the table. My plan, so-called, only does certain things. It simply enables you to distribute the goods which are or can be produced. The waste in the system of distribution is very largely due to the fact that the goods are not distributed; that is where most of the waste comes in. If they were distributed there would not be so much waste. But it is quite obvious that the question is based on the idea that we have to have a very efficient economic system because there is only just enough to go around and if any of it is wasted, somebody will have to go without. Now that is very far from being the case. I am not of course saying that waste can possibly be anything but undesirable, but all this insistence on the necessity for economy and thrift, and the elimination of waste and so forth, is the idea of an age which ought to be past. It is just as reasonable to talk about wasting sunshine during the 12 hours in which the sun is shining as it is to talk that way, or very nearly, not quite, perhaps. There is no difficulty
in getting enough goods for everybody and it is not necessary to be too particular about little matters of waste.

Q. Mr. MacLACHLAN: Is it possible to obtain maximum benefits of social credit without applying the complete technique, rules and regulations as laid down by you in your various written works on the subject?

A. There are not, I think, any such rules and regulations laid down in my books on the subject. My books on the subject have been very largely devoted to the explanation of certain principles. I do regard as being probably satisfactory schemes two main principles. One is a compensated price, which is the main theoretical basis, and the other is something which in some form or another corresponds to what we term the national dividends. Those two things are not schemes at all; they are simply principles. They bear about the same relation thermodynamic dynamics do to the design of a steam engine. It is not the slightest use trying to design a steam engine if you do not know something about thermodynamic dynamics, but you could not from the laws of thermodynamic dynamics find out anything about what a steam engine looks like. All I have put forward in my book is certain principles accompanied in one or two instances by what you might call exemplary schemes to give you some sort of picture of the principles of how the thing worked, as to what it looks like or could look like, but it is in no case necessary that those exact schemes should be followed to the letter.

What I do believe to be, as far as I can see, quite indisputably is certainly the question of price shall be dealt with as well as the question of the issuing of purchasing power, and I think it has to be compensated price as we call it, for two reasons amongst several others. The first is that the compensated price provides for a continuous lowering of price. Now the actual physical cost, the cost in energy on production, is constantly falling and the first requisite of any financial system is that it shall reflect the facts. That is, of course, what the existing financial system conspicuously fails to do. You could not have a state of affairs in which a country was said to be poor while all kinds of valuable goods were rotting and not being purchased and labour not being employed. You could not have the paradox so called of poverty amidst plenty, if you had a financial system which reflected the facts; and you must have therefore, a reflection of the facts, and one of the facts, most unquestionably is a true lowering of the price of the production of any article. That is a fact.

So that I think the compensated price is required. You cannot have, as the existing financial situation works, a continuous fall of prices, without putting every producer out of business. Your trouble there is that he is making a financial loss. You have to deal with that by means of the compensated price.

On the other hand, you have to have some method of dealing with the fact that the number of units of man-hours per unit of production is falling; the ratio is falling. That means that you are going to employ less and less of your available population on necessary production. If you are going to use your industrial system as a governmental system for the purpose of keeping people in order, which is not its objective, if you are going to use it for keeping people in order and keeping them busy that is something else again. That has nothing to do with economics, but so far as the economic production of goods is concerned you want less and less of your available population. In order to meet that you must have distribution of purchasing power which is not through the agency of wages and we know exactly how that can be done and that is through the agency of dividends, so that what you want is an extension of the dividend system to meet that, together with a compensated price to meet the other difficulty which we have been examining. I believe those two things are probably essential, but the exact methods of applying them can be varied to almost any extent.

Q. Can a province which lacks fiscal autonomy, in particular has no jurisdiction over banking and currency, control of trade and commerce and which possesses specific and not residuary powers, hope to be successful in the application of your proposals?

A. Well, the answer to the first of those questions I gave a short time ago, that if you have no powers you cannot do anything; but I feel fairly certain that the logical result of saying, “We must refer this thing to Ottawa,” would be in effect, if not in words, “We must refer this thing to London.” We are so interlocked with the international financial system that we cannot do anything in Ottawa. We must do it through London. And when you get to London you would be told, “Ah, yes, but we must do this in conjunction with Wall Street,” and they would say, “Ah, yes, but we must do that in conjunction with the Bank of International Settlement.” There is absolutely no point at which you are going to stop if you are going to surrender your liberty; that is about what it amounts to, absolutely no point at all. And in these financial questions, the definite strategy of the existing financial powers is to make this a world so that no section of the world will ever be powerful enough to have it altered. All I can say in regard to all these questions about Alberta is that if you want to get anything done the best way to get it done is to begin at home and find out how you can do it, and I believe that if you tackle it in that spirit you can do it, but you certainly are not likely to do it by referring it to Ottawa.

Q. Mr. LOVE: If our power to deal with banking provincially is limited to taxation, would not higher taxation result in unreasonable interest rates being imposed in Alberta by the banking system?

A. Well, of course, all these questions are questions obviously of the same kind and have the same bearing and I do not think that I can add very much to what I said before. If you are willing to allow over-riding legislation to prevent you from doing what you want, certainly nothing in any scheme can possibly stop that situation. It is wholly a question as to whether in the last resort you say, “We don’t care whether this is in the British North America Act.” If it is we are going to have the Act altered, or matters of that kind, but we are going to have this thing done.” Look at the question from a realistic point of view.

Crime Due to Financial System

There is no question that at the present time practically 90 per cent of the crime in the world is directly due to the financial system. An entirely unbiased report which is just issued has said that it is. There is no doubt whatever that the perfectly easily understood economic urge towards war comes primarily from the working of the financial system at the present time because of the necessity for finding overseas markets in order to provide purchasing power from those overseas markets. There is practically no room for discussion that the next war will almost inevitably destroy what we know as civilization. There is very little doubt that the next war is only two or three years ahead unless something drastic is done to prevent it. All the present poverty, all the present mental distress in business and the suicides, the raising of the suicide curve, the “C3” population that we are producing in the slums and in the other unsatisfactory portions of the world are due directly to the financial system and if you look at those sort of things really, are you going to say, “Oh, no, we must not change the British North America Act.” If you will not look at the thing from that point of view you will simply find yourselves involved in the logical consequences of the financial system as it exists at the present time. The only question is, what can you do to change that financial system, and if you have a written law which prevents you changing it and you are going to be strictly law-abiding—that is the logical consequence of saying you are going to do it constitutionally—
then you have nothing else to do except to change those laws and I do not believe it is possible without an absolutely united drive from all sections of the population.

Affects Whole Population

This is not a problem of the down-and-out. This is a problem which affects every business man just as much as it affects every down-and-out. The down-and-out is the man who suffers the physical penalties of the system, the business man the mental penalties, and very often the mental penalties are more severe than the physical penalties and he commits suicide. But the whole population, I do not believe even excepting the financier, are under the awful curse of this mis-working and perverted financial system. I say this without any bias. I am not by any means a serious sufferer personally. I am simply looking at the matter from the point of view of an engineer and just as I told them in Ottawa in 1923 exactly what was going to happen in 1928, so I tell you now in 1934 that before 1940 if you have not changed this financial system it will change and probably eliminate you.

Q. Mr. MacLEOD: Will not Major Douglas explain a little more clearly how we can administer wealth which is privately owned? Does not Mr. Fred Henderson in one of his books show very definitely that the Douglas system involves social ownership?

A. I am afraid I have not read Mr. Henderson's book, but I am perfectly certain there is no difficulty whatever in distributing socially privately-produced production. There is a great deal of straining over words in these matters. The only question which arises in regard to administration is which produces the best results? Whether production is privately produced, or as you might say nationally produced, which of those systems produce the best results, assuming that in either case the product is distributed?

Now which man takes the most interest in his particular piece of administration, the man who thinks that he owns it, or the man who is simply a functionary? As a matter of fact, I should hate that he should hear it, but it is a fact that there is no such thing as private production at the present time. You cannot produce in any quantity any article, without the law stepping in and saying how you shall produce it, how you shall use your plant, what restrictions you shall be under, what hours you shall work your men and so on. What it does leave to you as a matter of fact is the power of getting out if you are lucky, by selling your plant to someone else who then becomes in fact another government functionary because he is governed by government restrictions just as you were. The only question is which system will be the best administrator for the job.

Personally, I have no doubt that the private system does select the best man for the job. It is a much better system to let people work up, through the private administration of a large plant, than to appoint that man by an examination. You will get a much better result by letting him work up than by putting him through a stiff examination on the theory of administration or something of that sort, and it is a notorious difficulty. I have been on both sides of the fence. I have been employed by some of the largest companies in the world and I have also been in several government departments in Great Britain, so that I know what I am talking about. I think, and my considered opinion is that so-called private administration—I emphasize the word so-called—has it over government administration every time. It is more flexible, it is less liable to lost motion. There is less distance between the man who has the power and the man who has the knowledge. That is usually the terrible trouble in government departments. You cannot get authority to do anything of importance until many months after it has ceased to be of importance, whether you get the authority or not, and there are many other things of that kind. I am simply giving you a talk on industrial administration, but the main point is whichever system of administration is the best is quite beside the present discussion. If you will give the necessary purchasing power to the general population they will get goods, whether it is from a so-called private shop or store, or whether it is from a government store. Either of them will deliver the goods on the presentation of the proper tickets and you can distribute the purchasing power any way, by private production, by giving the general population shares in so-called private production but without interfering with the administration of that business at all.

You will notice in the scheme for New Zealand I confined my distribution of shares to debentures and preference shares. It is a well known convention in regard to both those shares that so long as the shareholder gets his dividend, which is a fixed dividend, it is no business of his how the business is run; he is only interested in getting his dividend. Now in this case that gives him the purchasing power required to get the goods from private production but does not interfere with the administration, and in my opinion that is a desirable state of affairs.

Q. Mr. MacLACHLAN: Is the soundness or otherwise of your proposals predicated upon the validity of the “A plus B” theory?

A. The soundness or otherwise of my proposals is predicated most definitely on the question of a monetized wealth. The so-called “A plus B” theory is a quite incontrovertible description of the mechanism by which prices become too high for the general public to buy. I notice that the banking system has concentrated on the “A plus B” theory because it is a difficult theory to make people understand, if they are not very familiar with the absolute processes of industry, but it has nothing whatever to do with the fact that the actual creation of purchasing power is a monopoly of the banks, and it is there that the core of the whole trouble lies, and my proposals are predicated on the assumption that that power does not properly reside where it does at the present time.
APRIL 10, 1934.
Chairman: Mr. Claypool.

MAJOR DOUGLAS (RECALLED)

CHAIRMAN: I have taken the liberty of returning to the members all of the questions that they handed in the other day that were not asked.

Q. Hon. Mr. BAKER: I would like to ask Major Douglas, assuming that a social credit scheme was applicable to Alberta, and we put it in effect here, would it increase the total amount of wealth we have annually to distribute among the people of Alberta, and if so when would that be done, and if not what would be a benefit to us?

A. I think the answer to that falls into two parts. The actual manipulation of the financial system in itself, of course, simply confining the thing to that manipulation, cannot possibly affect real wealth. It is a ticketing transaction in earnings and no ticketing transaction can in itself affect real wealth. But if you have a state of affairs which I believe to exist both in Alberta and elsewhere, where you have the flow of wealth—and the production of wealth in the modern world is essentially a flow, not a static performance—where you have that flow dammed up by the inability of the general public to take off the wealth from the producing organizations, then it is possible to a certain extent, with a modification to the financial system, that it can after a very limited period increase the actual rate of flow of wealth.

Q. Mr. MacLACHLAN: Is there in existence any Douglas plan for Alberta drawn up with your authority or approval?

A. The answer to that is no.

Q. Have you seen this pamphlet, “The Douglas System of Economics”; you have probably had it drawn to your attention, and are you familiar with its contents?

A. I have seen it. I am not familiar with its contents.

Q. Do you regard it as an interpretation of the Douglas scheme?

A. I, from my own knowledge, would find it quite impossible to answer that question.

Q. Do you know whether the London secretariat has considered that pamphlet?

A. Yes, I do.

Q. Did they accept this as a correct interpretation of the Douglas system?

A. No, they did not.

Q. Are you the chairman of that body?

A. Yes. I was not present in England when it was examined. It was examined while I was abroad. I have the general result of the examination. I do not know the details.

Q. They have refused to accept it as an interpretation of your scheme?

A. Yes.

Q. Mr. GIBBS: I have three questions linked together and I would like to put one after another if I might. I may say at the beginning I heard the broadcast of Major Douglas and read his speeches in the paper, and it is because I have read these somewhat carefully that I am putting these questions. They are rather in the form of a statement than questions. You are not so much concerned in advocating any rigid plan as in urging us to recapture complete constitutional and legal control over all the institutions that sell currency or credit so that the issue of the tickets by means of which, alone, goods and services can circulate, will be subject to public policies of general welfare rather than to considerations of private profit. That is the first statement and I would like it if Major Douglas would say yes or no to that?

A. Broadly speaking, subject to reading it carefully, I should agree with that statement.

Q. The second question is this: You believe that any plan of financial reform must be based on (1) the right of all citizens of 21 years and over to receive dividends from the productivity of our industrial plant as an inherent right; (2) the necessity of distributing the tickets of purchasing power in such quantities as will correspond to the price volume of consumable goods available and in such a way that they will actually be used in the purchase and consumption of these goods?

A. Of course, you will realize you are reading something out of me which quite obviously I do not want to be bound by on short notice, but I have no very strong objection to anything you say. The question of whether the age is placed at 21 or something of that kind—all these things are questions of expediency, not questions of principle, but I see nothing fundamental to object to in what you say.

Q. As far as the principle is concerned you believe these two principles are fundamental. The question of age or the question of right as far as nationality is concerned are details to be worked out. The fundamental principle is the people have an inherent and inherited right to participate in all dividends resulting from productivity?

A. It is a question of sovereign policy as to whether they have or have not. It is quite obviously not a question to be decided by some secondary interest. You see the difference? It is quite certainly not something which some purely technical system, which is what in effect the financial system is, can decide off its own bat.

Q. In other words, it is desirable on the part of public policy in view of the age of plenty in which we live that there should be a distribution of national dividends to people as an inherent right?

A. Once again for the purpose of clarifying what you say with which I am in general agreement. If it is not desirable that should be the case then all the efforts which we make to diversify and increase production are misdirected effort. We ought to realize the position and choose to make that effort.

Q. I am not entirely in agreement with these statements as I am putting them down. You and I think the same to a tremendous extent and I think that is very encouraging to myself at any rate. The third question is this: In a system based upon having a $1.00 ticket in the hands of a consumer for every dollar’s worth of consumable goods, will it not be necessary for the producers of consumable goods to adhere to a scientifically prepared annual plan—a production budget rather than a consumption budget as we have now?

Control of Production

A. I recognize at once the extreme importance of that question. The first object obviously is to make the financial system reflect the facts of the production system. When you do that the present function, which is in my opinion quite incorrectly exercised by finance, that of controlling production, quite obviously ceases to be effective. You have to have a direct control of production instead of indirect control as you have at present, the indirect control being ascertained from almost every possible point of view. I could elaborate that at some length. Then the question comes up of how are you going to prevent an absolutely uninterrupted state of all sorts of production, which is what might quite reasonably be expected to happen. I think you can go about that in several ways. One of the ways is indicated in the model plan for Scotland, and that is by controlling the use which is made of land. It is practically impossible to produce anything without the use of
land; even if you use it for a factory site you want some land. You will notice in the model scheme, what you might call a scheme for discussion that has been put forward in regard to Scotland, there is a clause which says that while no hinderance is placed on the arrangements for the transfer of land, every transfer of land has to be ratified through the land office, which in Great Britain, as no doubt here in Canada, exists already. At the present time the redemption of title is the application of a rubber stamp, plus payment of the tax. There is no reason why that should not be the case, but you can control the volume of production quite effectively by controlling the land, and also preserve the amenities of the country which is desirable at the present time. In my opinion that is more likely to be a suitable method of controlling production than by issuing direct orders to producing organizations to produce just so much, because in that way certainly if you do not do it by slow and well thought out steps you tend immediately to a great deal of over-centralization. One of the inherent difficulties of administrative control of large quantity is to prevent over-centralization, and I believe that can be done. Generally speaking then, answering your question, some sort of direct control of production would probably be the result of means of this kind, but I do not think what is very frequently called "packing" is the right way to do it.

Q. This is my last question: This is a new, undeveloped country. While we have a very efficient industrial plant, we are short of such things as paved roads, bridges, good houses, modern conveniences on the farm, complete educational facilities, etc. In spite of technocracy, we suffer from no lack of work to be done. We could put all our able-bodied men to work between the ages of 25 and 55. Should not this be our objective rather than the payment of national dividends? Should we not pay good wages, good superannuation, pensions, etc., rather than national dividends?

A. I should never think of traversing that statement. A plan might be suitable for highly industrialized countries like Great Britain, and it might not be so suitable for a province like Alberta, but you have the principle. You cannot go straight ahead on a scheme of that sort under present conditions even if you had to do that sort of thing without interest, cutting off interest—free loans; there is no question but under the existing state of affairs you would be running up a tremendous debt, which we do at the present time by public works. You would still have a fundamental difficulty to face with the large amount of purchasing power which would be released. Releasing the non-marketable goods, the goods at any rate not bought specifically over the counter, would invariably produce a very rapid and probably devastating rise in prices in regard to goods, and you would find yourself in a technical difficulty very rapidly if you pivoted straight ahead on these lines. If on investigation it was found you wanted to apply the social credit of Alberta to the development of the province of Alberta (and I might interlopes— I think you want to leave a little to posteriority), but even assuming that is the case, you still want to take very definite measures in regard to the price question.

Q. We would adopt, I imagine, your idea of the just price?

A. The compensated price.

Q. All this purchasing power we could put into circulation as a result of non-marketable goods will not be very much in any year, but what happens when you give national dividends?

A. Just the same thing.

Q. If your compensated price can handle that difficulty, I think we can handle the difficulty in the same way.

Q. Mr. ENZENAUER: Can your social credit issued in the amount of tickets to equal the volume of goods at a price be maintained at that ratio while continuing to honour the priority claim on production held by capital creditors?
assumption that this demand is vested in, and is owned by, the organization which issues the tickets. Now that is quite obviously an assumption which, to the actual owners of the monopoly, only has value if there is something real on which this credit rests. It does rest on the productive capacity of the unit. That is what it does rest on, and therefore the effective demand, so far from being the exclusive right of some specialized organization, quite obviously belongs to that unit which has productive capacity. There seems to be no possibility of misunderstanding that. The only thing involved is the question of ownership of effective demand.

Q. You use the word “owned”?

A. The production is not owned by the unit. The production of a large producing undertaking is not owned by these individuals unless they buy it. It is not owned because they produce it. They do not produce for their own ownership. They produce for sale and the moment they are unable to sell as we know quite well, they go out of business, which is complete proof that they do not own that production.

Q. Mr. BROWNLEE: I think you suggested last night that a series of questions might be asked, and I will take the liberty of asking a number of questions to see whether I have fully understood you in your comments on Friday. In the first place I understand, Major Douglas, that your whole plan of social credit is based on your belief that constitutional methods are always to be preferred to revolutionary methods?

A. Entirely.

Q. Therefore, in a country like Canada, where we have a very definite constitutional laid down, we should follow the course of trying to change that constitution rather than embark upon any extreme measures of defying the constitution?

A. Absolutely.

Q. The next question is, can you sum up your definition of social credit in one or two sentences for us so as clearly to indicate just what you mean by social credit?

A. I think I can do that very shortly. Social credit in its essence is a correct estimate of the productive capacity of a given unit based upon that which is the real social credit of the unit. You have something which we call financial credit which can also be made to be the reflection of this real social credit, and that I should say can be defined as the power of monetizing, to any extent desirable, the real wealth of the unit so it can be freely exchanged.

Q. Referring to the term “productive wealth,” that would not mean the ultimate capacity to produce our natural resources but it must have some relation to available markets and the ability to sell the products on the markets available?

A. Either internal or by proper arrangements externally.

Q. It has been estimated in this province the coal resources could supply the whole Dominion of Canada for the next two thousand years, but from the standpoint of the function of productive wealth we would have to limit our estimate to that portion of coal we could sell in the markets of this province and outside markets from year to year?

A. Yes; but by proper use of your own credit in the world where proper use is not made of certain credit, you could without difficulty command the markets of the world.

Q. That is, we might, by proper use of our own credit in Canada, even export coal into the United States where they also have more coal than they use, but that would in turn only lead to one thing, they would quickly adopt measures which would still put them in competition with our coal?

A. Yes. I agree, but in doing that you would increase the width of the general field for the use of coal.
Q. May I ask a few questions about the New Zealand scheme without going into details. As I understand it, it is based upon an assumption, or an accounting of the value of the assets of the banks and the insurance companies of New Zealand?

A. Yes.

Q. Certain surpluses which have been earned. First of all you suggest limitation of the dividend which the banks of New Zealand can pay the shareholders to six per cent. Your suggestion is that the six per cent limitation is based upon the original capital of the banks of New Zealand, or the present capitalization of the banks?

A. Do I understand by that question the subscribed capital?

Q. The original subscribed capital, or the present capitalization, what ever it may be. In Canada there is a great difference between the original subscribed par value of the shares of the banks and the present shares, according to their market value.

A. That does not affect the capitalization.

Q. Assuming that the original par value of the share was $100, and the average market price at present is $200, is your limitation based on the original par value or market?

A. The original par value.

Q. Then when the difference is taken between the original or book value, or whatever the basis of the banks and insurance companies, I understand you would take that difference out of shares account and distribute?

A. May I elaborate a little? If you do not limit the dividend, then on the promulgation of any proposal of this kind, the directors of the bank would meet together and say, “We will at once distribute these reserves, and proceed to pay about 500 per cent.”

Q. Is this a correct statement? Your plan in New Zealand is based upon the taking away of values that have been created in the interest of the few and distribute them generally in the interests of the people?

A. No. It is based on that fact that for the purpose of retaining control of the situation, certain, in fact the majority, of existing values, as represented on the balance sheet of the banks, are written down to sums which do not in any way represent their original cost. I gave an instance of that—I forget whether it was here or not. I believe it to be true—I have had it stated to me on very good authority—that most of the war loan, of which a large amount was held by British banks of which the market value was anywhere from $100 to $105, stood on the books of the banks between 10 and 15—that is writing down of assets and demonetizing of hidden reserves which the banks themselves can monetize at any time to anybody else.

Q. Is it not true in the proper working out of the financial system these items are all taken into account in market value of shares of these banks as listed on the exchange, not accurately but approximately?

A. Yes, the fact that the banks return 3½ or 4 per cent is an assumption on the part of the public that there are many hidden reserves or assets. In the New Zealand scheme they are putting into effect a dividend limited to six per cent.

Q. Would it not work out that those who hold at the present time their private wealth in the shape of bank shares, would find these shares greatly depreciated in value? You are distributing that wealth to those who at the present time have none?

A. That is true and a very reasonable comment. I am going to give you a pragmatical answer. The dividend of the Bank of England is six per cent.

Q. Personally, I am sympathetic that the bank should be considered a public utility.

A. I think it desirable not to penalize anybody.

Q. Dealing with the insurance companies, your New Zealand scheme involves taking certain profits, earned by the insurance company and also using this as a basis of distributing credit?

A. You have to be very careful, I think, in the meaning you attach to the word “profit”. In that case the essence of the thing is you are distributing something which nobody gets at the present time, not even the shareholders of the banks or insurance companies.

Q. Nor the policyholders?

A. Nor the policyholders. They are absolutely dormant and unutilized reserves.

Q. Is your scheme in New Zealand based on the idea the hidden and undistributed wealth largely held by these institutions constitutes the greater part of the fiscal system of the banks and insurance companies?

A. Yes.

Q. Would this be fair: Some of us are afraid that the extent that any community has not the power of controlling, managing, disciplining or penalizing these institutions that constitute the major part of the financial institutions, to that extent they are handicapped in trying to bring in a system of social credit?

A. I agree absolutely.

Q. So that if a community, such as one of our Canadian provinces, is bound by the constitution which practically, according to the privé council decision, takes away any vestige of power to manage, control, discipline or penalize these major institutions, these major parts of our financial system, just to that extent the constitution has, theoretically at least, taken away the power to institute a system of social credit?

A. On the status quo.

Q. In as much as your argument presages we shall work by constitutional method, then is it correct to suggest that our task becomes one of propaganda, and using what influence we can by constitutional methods to change that constitution, and until we have done that fairly well, submit to things as they may be?

A. But things may be thrust on you. You are not a sovereign state, and that is the power of a sovereign state.

Q. This may not seem to be a pertinent question, but it arises from a question asked by Mr. Gibbs, that having regard to the fact we are a new province, and there is still a tremendous field for the development of those things we feel are necessary for a desirable standard of living, that it might be better for us to utilize our wealth in putting people to work to supply these things. Again, coming back to the idea of the sovereign state, if the only way in which we, as a province, can obtain the tokens of money for the purpose of doing these things is by borrowing and increasing our capital debt, would you say that is a healthy way of proceeding?

A. Well, it is only a healthy way on the assumption that you are not going to pay your debts.

Q. So that if we still maintain the idea we are going to pay our debts, it becomes limited to the extent we can go on that program of borrowed money to pay interest?

A. And pay interest; yes.

Q. Looking at Canada as a unit, rather than as provinces, you would consider—I would like to get your opinion of this because it is one on which I know there are differences of opinion—would you consider that the idea of the Dominion simply issuing new currency for the purpose of building public works is a method of carrying into effect in any way the idea of social credit?

A. It would be absolutely catastrophic.
Q. You are in accord with that school of economists who believe unrestrained inflation is a disastrous thing to any country?

A. Undoubtedly.

Q. Mr. GIBBS: Might I suggest as part of your question, to get a bit closer, what is unrestrained inflation in a country with such tremendous potentialities of production?

Mr. BROWNLEE: I will leave you to ask that question.

Major DOUGLAS: May I be allowed to answer? I once defined inflation as being anything the bankers did not want done, but there is an accurate definition of it and that is, an increase in the number of monetary tokens accompanied by a similar, equal or greater increase in the general level of prices. That is true inflation. Inflation in the number of tokens not accompanied by an increased demand is not necessarily inflation.

Q. Mr. BROWNLEE: Probably a more correct answer to my question would be, it might be possible for a sovereign state like Canada to issue new currency to a certain point, provided it does not go beyond the point where it immediately would bring about rising prices?

A. Yes, but where you have the price level based on the proposed price of the article, not what it will fetch, it is quite impossible to raise the amount of tokens beyond the existing level without getting subsequently a raise of price, because the moment you have more money about, everybody says, "We will have a little of it ourselves."

Q. In order to formulate a system of social credit for the province of Alberta, am I right in assuming that you would have to have before you for considerable study first a complete picture of our economic position and an inventory of the natural wealth of the province, that is, the things which we produce, as well as a complete understanding of the constitutional limitations as between the Dominion and the province, both with respect to internal trade, and particularly with respect to control of the major financial institutions such as banks and insurance companies, and only upon having these things before you, and complete opportunity to study these, could you, or anyone else, lay down a sufficiently considered scheme of social credit for the province?

A. I should agree with that.

Q. Is it a fair interpretation of your social credit ideas that the ability to distribute wealth would probably be much greater in one of the older and more developed communities such as Ontario, where there is a greater accumulation of undistributed wealth than in a new province where we have no banks, no insurance companies, and very few people who have reached the position where they may be considered even fairly wealthy, and very few corporations? Undoubtedly there are greater opportunities in a province such as Ontario or Quebec, than in Alberta.

A. I should be obliged to agree with that. The whole situation arises out of modernization of the whole productive system. Of course I should qualify that by saying that a good deal of the consumption of Alberta is the production of other communities and that you have to monetize if possible whatever production you have in order to obtain that production from elsewhere so that there is a pressing need, even in a comparatively undeveloped country.

Q. We might come to this conclusion as the result of the whole study: Quite conceivably our task in this province is to try and change the existing structure so as to get a greater control over major financial institutions which may involve a period of propaganda and strategy, rather than immediate administrative effort?

A. I am obliged to agree with that.
operation by the compensated price and he cannot possibly sell in competition with those in possession of the compensated price.

Q. I take it you are endeavouring to lower prices rather than stabilize prices?
A. Absolutely.

Q. One difficulty regarding debts in this country is they are being asked to repay debts by means of production when it takes two or three times as much to pay the debt than it did at the time it was incurred. For instance, take wheat. Your suggestion does not take into account the matter of debts, because the farmer has increasing cost?
A. I am quite convinced, to a very large extent it is pure abstraction. The major owners of the debt of the world do not want it settled in wheat; they do not want it settled in anything tangible at all but merely want it settled in form of more monetary instruments. The major owners of the debts that we have are the financial institutions and the financial institutions do not take delivery or payment of it in wheat.

Q. You do not agree then that a great deal of the instability is due to the fluctuating price level?
A. What is absolutely vital is the conflicting price level and not an absolutely equivalent fluctuation in the amount of purchasing power.

Q. And, if you had a slightly advanced price level, as some people suggest, that would be, in other words, another way of paying that dividend, wouldn't it?
A. No. On the contrary, if you had a slightly advancing price to the means that everybody has, that purchasing power is lessened at an inverse rate.

Q. Unless they are obtaining a greater rate for their labour?
A. They cannot be receiving that, if their purchasing power is falling all the time.

Q. Take the farmer. His wealth is, to a large extent, in this province, wheat?
A. From his point of view, wheat is nothing whatever except something for which he exchanges purchasing power. He doesn't grow, from his point of view, any wealth at all. From the world's point of view he does, but, from his point of view, if he is left with the whole of his wheat on hand, he has no wealth.

Q. In other words, if the exchange possibility for his wheat for other things remains constant? That is what you are aiming at?
A. No. We are looking at the problem from a diametrically different point of view. The point of view that I have is that the function of money is no longer that of a medium of exchange.

Q. I agree with you in that entirely, that money is simply the means of transferring real wealth from one person to another.
A. No; that is exactly what it is not.

Q. You state it is like a ticket on the railway that enables you to get transportation from one place to another. I will take that view, that money is a means of transfer for that transportation.
A. That is not the correct interpretation of money. The only correct one is, I believe, that all wealth at the present time is produced by synthetic purposes: that the wheat that the farmer grows does not produce any wealth at all; that the manufacturer of motor cars does not produce any wealth at all. Those things only become wealth by reason of the fact that somebody else produces roads, and somebody else bakes the farmer's wheat, and a number of such things. So it is impossible to say that anyone, at the present time, produces wealth, except considered in the light of what everybody else is doing at the present time. Under those conditions, wealth is a central pool into which everybody is contributing, and the proper function of money is not to interchange between those separate producers of wealth, but to give the general community, by whom the wealth is produced, the necessary power to draw from the central pool of wealth.

Q. Well, you mentioned a few moments ago, did you not, a definition? Would you mind defining that again? If I understood you correctly, you defined inflation of money as only being inflation when it is accompanied by an equivalent or higher inflation of price.
A. I agree.

Q. And, on the contrary, a deflation is not a deflation until it is accompanied by——
A. Oh, I didn't define that. Deflation is a reduction in the number of the tokens of purchasing power which is accompanied by a fall of prices up to the point when the cost of production is reached. A further reduction of the number of monetary tokens in circulation is not accompanied necessarily by a further fall of prices, but is accompanied by a reduction of production, accompanied by the bankruptcy of the producer. That is quite a different thing. It is not the converse of inflation; it is something quite different.

Q. Then, recognizing that both inflation and deflation are bad, which would you define as the worst?
A. That reminds me of asking which is the better of two rotten apples. They are both bad.

Q. Is it not true that deflation affects your production, whereas inflation only affects the transference of ownership of wealth? Isn't that what deflation is?
A. No. I could give you strings of consequences of both inflation and deflation; but inflation is exactly what I said it was, I think, and deflation is exactly what I said it was. The consequences are quite a separate matter.

Q. Have you any suggestion, in a practical way, for anything we can do in this province at the present time?
A. Yes, I have, broadly speaking. That is, first of all, obtain for yourselves a clear conception of your major objective in policy. That has not, so far as I know, been formulated. For instance, I mean it is not formulated when you say you want to relieve the unemployment problem or anything of that sort. If that is your objective, then the means to that objective are quite different to the questions of credit and so on. The first point is to obtain a conception of your objective; the second point is to determine what is preventing you from achieving your objective, and, in considering that, you have to consider what means to apply to remove that obstacle. That is the direct sequence. The third thing to find is the means available to you to remove the obstacle to obtaining your objective. And the final thing, and only the final thing, after those things have been considered, is your plan to put into operation. It is not the slightest use considering a final plan until you have considered what is the objective, what are the obstacles to attaining your objective, what are the means of overcoming those obstacles, and how to go about it.

Q. Getting down to practical details of the matter. Many people in this country think that perhaps the first thing we should do is to have a differently organized central bank, so credit will be handled in a little better way than it perhaps has been and may be. Have you any suggestions along that line?
A. Well, I think what I have just said is a comment on that. I should want a clear definition of objective. I think I can see at once what the objection of the farmer to a central bank is, at the present time. I have no doubt whatever that its private objective is to rivet the private financial system of Canada more firmly to the international financial situation.

Q. Capt. DAKIN: Is it correct to assume that, under the Douglas social credit plan, the credit of the nation will be directly related to the wealth or production of the nation?
A. The answer to that is "Yes."
Q. If the Douglas plan were applied to Canada, but not to other countries, would not our production, and, therefore, our wealth, be influenced by world prices and world conditions pretty much as at present?

A. The short answer to that is: No. Your production would go up, and your general prosperity would go up, even though it was not accompanied by the same plan elsewhere.

Q. If both of these questions are answered in the affirmative, would not the dividends payable to individuals or families under the Douglas plan fluctuate in value or amount, in more or less direct relationship with the value of our products? In other words, if wheat goes down in price, will the dividend also go down in value, or amount, and if wheat goes up, does the dividend also go up?

A. Not in value. Questions of price are purely questions of figures on a ticket. Quite obviously, supposing you take a bushel of wheat and you put it in an elevator, and wheat goes up from 60 to 90 cents a bushel, nothing whatever has happened to the wheat; the wheat is exactly the same wheat as it was before, and nothing has happened to the real wealth of the country. The whole thing is nothing but a figure on paper.

Q. If question three is answered in the negative, please explain what maintains the dividend at a permanent level.

A. The maintenance of the dividend at a permanent level can only possibly depend on the actual production of the country, including in the world production, for the purposes of this calculation, imports, and subtracting from the wealth of the country, for the purposes of this calculation, exports. Exports are a loss to the real wealth of the country; imports are a gain.

Q. If question two is answered in the negative, please explain how our production can escape being influenced by world prices and world conditions as at present.

A. There is, I think, of course, running all through this set of questions, a slight over-emphasis on the mere figures of finance. Our production being influenced by world prices does not convey anything to me, or need not, I think, necessarily convey anything to anybody, unless you are going to assume that you are going to allow world prices to control your internal distribution of wealth, and that is not a necessity. It is a condition of the domination of the world by international finance at the present time, but it is not in the least fundamentally necessary, though very difficult to escape; but it is not fundamentally necessary that Canada, or any other country, should be dominated by international finance.

Q. Mr. Buckley: How would you provide funds for national dividends? Could they be recovered by income tax?

A. No. The provision of funds, of course, presents no difficulty, as you realize. The provision of funds at the present time, under the banking system, is purely a bookkeeping transaction, and presents no difficulties. The recall of those funds is of course essentially a problem of making figures represent facts in evidence. That is to say, if you have the wealth of the country increasing continuously, which, broadly speaking, is the case with nearly every country, in actual fact, then you want to recall less money than you issued, so as to leave a balance, which represents the net increase in the value of the wealth of the country. For instance, the idea that a balanced budget is a fundamentally and scientifically correct state of affairs is entirely fallacious, except on the assumption that the country never gets any richer, which is obviously a fallacy. The creation of the recall is accomplished automatically, through the agency of prices.

When an article is purchased for consumption, even at the present time, the money passes from the consumer to the retailer, from the retailer to the wholesaler, from the wholesaler to the producer, and, in nine cases out of ten, fundamentally, from the producer to the bank, where it is automatically cancelled by the repayment of the loan.

There is another way by which it can be done, which I think will probably form part of any workable scheme; and that is, if you take the balance sheet of any producing company, you will find on the assets side, the cash deposited with the bank and that sort of thing, on the same side of the balance sheet as the real physical assets. You will find on the assets side, plant, buildings, debts receivable, cash in bank, and things of that sort, as if money and goods were the same thing—as if money and real wealth were the same thing, which they are not.

You will find that, in a national balance sheet, so far as there is such a thing as a national balance sheet, they are on opposite sides. The cash creations of a nation are represented by national debt. The assets, which stand against the creation of the national debt, are the real assets of the country. So, in the case of a national balance sheet, you will find cash and real assets on opposite sides of the balance sheet.

Now you can recall issues of purchasing power by a process something like this, which is a perfectly legitimate procedure:

Certainly in Great Britain, and I have no doubt in Canada, every balance sheet of a public company has to be audited by a public auditor, and he insists that the real assets, the capital assets, and the physical assets: plant, buildings and that sort of thing; that the figures attached to them in the balance sheet, shall be written down.

You must realize that those figures of real assets, in the balance sheet, are simply price tags attached to the things which are in the possession of the producing company; but they are not money, although they are lumped together, on the asset side, with money.

Now you can, and do at the present time, write down the physical assets of a company, but you never write down the money assets. Money is supposed to be indestructible, according to your theory, but the real assets, which money represents, are written down by an auditor.

Suppose you issue $10,000 worth of stock, and you put up a factory. The physical process of depreciation takes place; it is always insisted upon by your auditor, and your figures are written down. You ought to have a transfer back into purchasing power of those figures which are written down, because you have used your plant for the production of something which is sold to the public.

Now you can write down those physical assets, and apply some of the issues of the money to re-transferring into cash the physical assets which are written down, and that disposes of quite a considerable amount of the money which is issued.

Q. Mr. Matheson: There is just one of your answers that I would like to clear up, for my own information. You said, in answer to the Premier, that the issuance of currency by the Dominion for public works would bring about inflation. Isn't the interest on interest-bearing bonds which double themselves every eight years or so, capital?

A. Well, it is ultimately so, but it is not the same thing.

Q. Why not?

A. Because it does not increase the available purchasing power in the form of liquid money to any appreciable extent. It merely diverts some of the purchasing power from the general public to the bondholder. You understand I am not supporting this, but at the same time, the two things are not the same.

Q. When the war started, and they started to issue currency in England, with no base of gold, and made currency more plentiful, wasn't the prosperity of the ordinary individual in the country much greater?
A. Yes, it was; but it was accompanied by a very rapid rise in prices, which heavily penalized everybody who was not in receipt of constantly increasing wages. It set into operation a most undesirable state of affairs. A constantly rising price level must of course be accompanied by a constant wrangle about wages and things of that sort.

Q. In Canada, we have been subjected for five years to a process of deflation, withdrawing of credit and currency in the country; and the consequence is that the debts created by the inflationary process have to be repaid at the rate of five to one. Would it be a sensible thing for Canada to do, as a great exporting country, to follow that course until the price level of the producer in the country gets into some correct relation to the price level at which he created the debt?

A. I don't think so. I am quite familiar with the line of argument that you are following at this time. It is based on a continual crossing over in your mind between cost and purchasing power. I answered a great deal of it in regard to the question of the honourable member on my left. As to the delusion that the debts are actually paid in wheat, they are not paid in wheat. And I might say that the very last thing that normally the real creators of the debts of the world—which are undoubtedly the financial institutions—the last thing they want is the repayment of the debts. They want merely to take all they can get under any consideration—all that they want, if you like, and keep the general public in debt. This may be quite unconscious— we will say it is unconscious, I don't want to be uncharitable—but the general behaviour is: "Let us always keep the general public in the literal possession of the bonds." The bondholder, which is the general public, will be left in possession of the bond; and, under those conditions, the very last thing that they want is to have the bond paid off. So that, in any case, I don't think you need worry, under that financial system, that, even if you raise the price of wheat to anything you like, the bonds will be paid off.

Q. I agree with all that, but that does not answer my question. We are not looking at this fundamentally, for the present moment, because we recognize our inability to deal with fundamentals in a country such as this. Now, seeing that you said that inflation was something the bankers didn't want, which is something I agree with, would it not be good for the general public?

Value of Inflation

A. Well, I haven't got any great tenderness for the bankers, but I don't think a sweeping assertion of that sort is necessary. I cannot see, looking at the question from a broad point of view, where general inflation can ever be an advantage. I can, of course, see quite well that there are quite a number of technical reasons why inflation can produce a temporary advantage. That is beyond all question. There are two or three very obvious reasons for that. One is that you get a distinct lag in the rise of prices behind increase of purchasing power, so while that lag is in operation, you have a real increase of purchasing power, but only while that lag is in operation. The general impression is that, in order to keep that lag, you have to inflate faster and faster and faster, or, if you stop for any time, the price level overshoots the level of purchasing power and you get the opposite result. But, in addition to that, if the whole population were required to produce the goods necessary for the use of the public, I can imagine the inflation might work as a policy; but the real fact is that, except in time of war—and I shouldn't be inclined to wholly qualify this for Canada; it is certainly true in Great Britain and the United States—in times of peace, you do not require the production of the whole of the population at any one time; so that, the moment you begin to decrease the purchasing power of those who are not employed in the producing process, which is necessarily an increasing number of people, and you decrease the purchasing power of those who are not employed immediately you begin to inflate, because you raise prices, and you decrease the purchasing power of the wages of those who are employed, you get into two difficulties straight away: You get into the difficulty that you decrease the purchasing power of those not employed, and therefore they draw less from the production system; and you decrease the purchasing power of the wages of those who are employed, so you get involved straight away into an unending wrangle as to what is the correct rate of wages. You either have to base your wages on a composite price level, which means that the wage level is increasing or decreasing, is changing every minute, or you have a great deal of industrial trouble. So, to summarize it, I do not agree with inflation.

Q. Is there any reason why inflation should be restrained? Could that not be regulated by the government of the country?

A. If you will eliminate the word "inflation," and tell me that you don't want a rising price level, then you can do it by compensated price, without doubt; but, the moment that you increase your money tokens, and at the same time have a rising price level, that is true inflation, according to the definition.

Q. Then may I ask: In Great Britain at the present time (I was over there last year) there is an increase in employment, an increase in circulation of currency, and are not conditions there better at the present time than they were say two years ago?

A. I will answer that question quite shortly, by saying that practically the whole increase in employment centres around the munitions area.

Q. I agree with that. But is there not a difference between such a country as Canada, which must export a great surplus, and an industrial country such as Great Britain, where the number of men receiving wages is proportionately large—greater than in Canada?

A. If you are asking only for an increase in the price of wheat in Canada, then you get into an almost endless discussion about world prices and so on. If you merely raise the price of wheat in Canada, by any device at all, then, other things being equal, and taking things as they are, it simply means you get less of the world's market for wheat, because your price will be higher.

Q. If we wish to raise the price of wheat in Canada, that price is at present regulated by the Liverpool market, and we must have some inflationary process to do it?

A. My answer to that is that you ought not to want to raise the price of wheat in Canada. What you ought to do is to enable the producer of wheat in Canada to lower the price of wheat and at the same time make a profit.

Q. That may be true, but do you admit that we can by inflation raise the price of wheat in Canada?

A. Idon't think so.

Q. Even temporarily?

A. I don't think so, because the minute you raise the price of wheat in Canada by one cent above the world price, the rest of the world will then buy wheat from other countries up to their producing level.

Q. If a farm in Canada is worth five dollars at one time, and only three at another time, surely at the time when the farm is worth five dollars in Canada, the producer gets more for his wheat?

A. In other words, you want to internally raise the price level by depreciating the purchasing price of the Canadian dollar.

Q. Yes.

A. Well, everybody wants to do that at the present time.

Q. But they don't do it?

A. I don't say it is a desirable thing to do, but everybody is trying to do that. Of course, the effect of that is that it is only effective as long as you are yourselves the only people who do it, and you may take it for granted that there are quite enough people in the world who understand that trick.

Q. They all do except the Canadians, apparently.

Q. Mr. DUGGAN: Major Douglas, I would like to say, just before I leave the chamber, which I have to do in a few moments, that I feel very indebted to
you for the statement you have made. I must say that, as I see it, our inquiry pretty well collapsed at the end of the Premier’s questioning—that is, as far as this legislature is concerned. Most of our time has been spent in a general discussion of economic theories, and theories relating to social credit; and, of course, what we are primarily interested in as a legislature is the application of any proven system. We all recognize—even those of us who have the misfortune to be called Conservatives—we are all interested in the reform of our present financial system, vitally interested, and I think we all agree that reformation must take place. Now you have told us very definitely that, on account of our limited powers as a province, the application of your scheme would not work.

A. Owing to your limited powers. I should say it is not a question that my system would not work, but you cannot put it, at the moment, into operation, but I should not like to be quoted as saying that it prevents it from going into operation.

Q. You made one statement the other day; I think you said that the citadel of our present system should not be swept away with one cataclysm of cyclonic force, or something of that kind?

A. Yes.

Q. That suggests that it must be done by progressive steps; I presume that is the interpretation?

A. Yes.

Q. Now, having accepted your statement as to the difficulties before this province, with our present limited powers, I would like to know if you can suggest to us two, or three, or four practical progressive steps in which eventually this system, or some improved system of social credit, can be brought about. That, I think, would help us immeasurably. I mean to say that we must take full cognizance of our limited powers, but we naturally want to move forward; we naturally want to take advantage of any step that will contribute to remedying the situation; but we are very practical people, after all, and it does not make very much difference what our views are, theoretically; we want to step forward in a practical way, having full regard to the application of your scheme, and full respect of the other provinces in Canada, and so on. But, in that situation as we find ourselves, I would like to feel that we have got a practical, progressive programme, under which we can make a substantial contribution to an improved financial position here; and I don't know whether you can set this out for us, in very clear fashion, so that one step might be taken this year, and another step next year and so on, but have an objective; and I would like to see those steps taken in a practical and progressive way. Now can you help us?

A. I gather from Mr. Duggan that he is a particular Conservative. Now I am a Tory. There can be no greater possible mistake than to assume that this is a class system. I am devoting a great deal of attention at the present time to emphasizing that. And I can assure Mr. Duggan that he is in good Tory company, that more attention is being paid, if possible, to my theory by Conservatives in Great Britain than by any other party, and the whole question, in fact all over the world, has the attention of all parties. I think he has stated the situation quite clearly, and I have only been able to talk to you about generalities, because I am only generally familiar with the situation here. What he asks me to do, which I do not think is beyond reasonable capacity, requires the consideration of accurate facts, of which I am not in possession at the present time. On the possession of those facts, I believe it would be possible to inaugurate progressive steps to produce a result which, from my point of view, is to the advantage of everybody, with the single exception that it takes away power, not necessarily of the money or wealth, but it takes away power from those institutions which I think is very radically and very improperly used. But, beyond that, I see no reason why any reasonable individual anywhere should be penalized by any such system.

Q: I interpret your answer to this effect: that, without a fuller knowledge of our general situation here, we can hardly expect you to set down a plan, but, with a fuller study of the situation, you think that a practical, progressive programme could be instituted?

A. I do.

Q. Col. JAMIESON: There is just one question I wish to ask Major Douglas. He has made it very clear that, in his opinion, this province cannot take final action to introduce such a system of social credit, owing to our constitutional limitations. It would be exceedingly interesting to know if he has studied the question as to whether the Dominion could put such a system into force in Canada, keeping in view that our constitutional act gives to the provinces the exclusive right to legislate, and consequently administer, within the field of property and civil rights, except in so far as the Dominion may encroach thereon in dealing with certain specified subjects such as currency (and currency, strictly speaking, in Canada means legal money, currency, legal tender), banks and banking, and the issue of paper money; and bearing in mind that, in pursuance of those powers, the Dominion has created banks, and also created financial institutions with Dominion charters, and that, under the interpretation placed upon the constitution by the judiciary committee of the privy council, the provinces must not take such steps as will interfere with those companies carrying on their business in this province. In this province, we have not gone far along that line yet, but there is one thing to be considered, that some financial institutions of considerable importance have been instituted in this province, and in the older provinces there are many large and important institutions carrying on business. Then would it be possible for the Dominion to put such a scheme into force?

A. There again I can only give a general answer, and that is that I have no reasonable grounds to doubt that the best brains of the world, for a very considerable period during the past, have been engaged in quietly erecting defences to the international world money system, and, as I think I said in public somewhere in Canada quite recently, that the general feeling that one has is that, if a matter is referred from Alberta to Ottawa, that Ottawa would have to refer it to London and London to Bezo, or something of that sort, and therefore I think that you have to break into that vicious circle somewhere. My own feeling is that one would possibly find that the beginning need not be by any means international in this matter, and that is why it is necessary, I believe, to start somewhere, and I believe the small locality is the place in which to start to take some steps. I believe that final steps are at present impossible, but to realize what you are up against, to really formulate your objective, and to begin to move in that direction, I believe is possible even in Alberta, but certainly not the final steps; and I don't believe it is much more possible in Ottawa than it is in Alberta, for the reasons I have just stated.

Q. Mr. LANG: Some reference was made to a pamphlet or pamphlets published, giving information regarding your system of a social credit. Would you recommend to us, or would you state to us, what publications can be had, and where, that we might know that we were studying the system with your authority?

A. Yes. We have an organization in London, of which the address is 68 X Street, Strand, W.C. 2, and the title is the Social Credit Secretariat; and that has a publication committee, and there is a perfect fund of literature on this subject at the present time; and every publication can be submitted to that committee, and can be carefully read over, and be said to be either correct or incorrect. Any publication that is recommended from that source, you may assume, is sound, technically speaking, and has been submitted to the best authorities available.

Q. Mr. MacLACHLAN: May I refer back to my previous question? It has been pointed out to me that I did not follow to that its proper conclusion. I ask this because of the fact that Mr. Aberhart, a few days ago, before this com-
mittee, dealt at some length with this question. In answer to this question, he made this statement: “One of our group went to the old country, and interviewed Major Douglas and had a talk with him, and presented to him this pamphlet. After looking it over, he put on the outside his autograph: ‘With kindest regards, C. H. Douglas,’ and told the man in general outline it covers his principles.” Those were his words. It was my own opinion that you answered fully, that you said, “It is not correct.” Would you just answer again, and say that that statement is incorrect?

A. I shouldn’t like to state it in exactly that way. What did happen: A Canadian whose name was Monger came and saw me, and we had a talk, and he told me of the most admirable work that Mr. Aberhart was doing. He has, as far as I can see, raised the query; he has developed a most lively interest in this subject, and I think the very greatest credit is due to Mr. Aberhart for that. This pamphlet was presented to me, or was shown to me, by Mr. Monger, and he said that he felt sure that Mr. Aberhart would be very much gratified if I would sign it, and I did sign it, as I write my autograph in a great many places, even in hotel registers, not turning over the pages. I have some recollection of saying something like this: that I had no doubt that it served a very admirable purpose, under the circumstances for which it was designed. It was in no sense a criticism or otherwise of the book; I have no recollection of the contents whatever. In consequence of that, this booklet was submitted to the secretariat, not by me, and the verdict of the publication committee was that it was technically unsound. That is the position.

Q. Mr. BOWLEN: I would like to ask Major Douglas if his system is in operation now in any country. I understand that it is in Scotland; is that so?

A. As there is no home rule in Scotland, the scheme is not in operation there.

Q. Mr. BROWNLEE: Does your scheme, to be put into effect in Scotland, require home rule?

A. To be put into effect in Scotland, and not England. But there have been various applications. There was a very interesting application, to which I referred in the House of Commons at Ottawa in 1923, which was in operation in Austria for about two or three months, an operation of the compensated price, and during that period Austria experienced the most tremendous boom that has ever taken place there. She was then put under the tutelage of the League of Nations, and the results of that are now history. I think I predicted exactly what would happen in regard to that, in Ottawa, in 1923, and my evidence is on record there. That was one illustration of the operation of the compensated price. Another application of it, in my opinion, although I cannot speak so positively on that, is in the situation in Japan at the present moment. I have very little doubt that Japan is systematically applying, wherever necessary, and wherever desirable, her national credit to capture external markets in one industry after another; and the prices that Japan is able and does quote in business in the world markets at the present time, are not due specifically to very low cost, although her costs may be low, but are primarily due to the use of a compensated price.

Q. Mr. WHITE: A little while ago, referring to the banking system, you mentioned that the central bank was riveted to the international system. What is your objection to public ownership of the banking system?

A. Well I should say, broadly speaking, that the question of so-called ownership has almost nothing to do with it. The question is: What is the policy which is pursued by that bank? Now the question as to whether you can get a publicly owned bank to carry out a policy in the general interests of the public, has, I think, only one experimental effort to rest upon—there may be another, but I don’t know it—and that is the Australian Commonwealth Bank. The Australian Commonwealth Bank was a publicly owned state bank, and so far as I know may be that at the present time; there has been no change in the constitution, so far as I know; but there has been no single institution which has had more devastating effect, working in conjunction with the joint stock banks of Australia, on the Australian people, than the Commonwealth Bank. The Commonwealth Bank, although a so-called publicly owned bank, and a national bank, has consistently worked in the interests of international financiers.

Q. That is on account of its objective, of course?

A. That is on account of its objective, and the whole question is the objective, and not the so-called ownership.

Q. In reply to a question by Mr. Duggan, you said that you didn’t want to be misunderstood, that there was something that Alberta could do. Did you subsequently make a statement of what could be done?

A. No. What I said was that one could only, in discussion of these matters, deal in generalities, unless one was in possession of concrete facts. The question of just what is the best to do, in the circumstances, from the point of view of Alberta, requires a consideration of concrete facts, and I have not so far given those facts consideration.

Q. Mr. SHIELDS: Relative to the questions that were put forward by Mr. Matheson, with regard to the price of wheat, I got an understanding of your thought in that regard to be that the just price of wheat would be a fair average return, or would include that?

A. It would most unquestionably include that, and it would include, of course, a compensated price.

Q. That brings me to the next question, of the difference between the just price and the sale price. Would that be made up by compensation taken out of the national credit?

A. In all probability, but I shouldn’t like to be quoted as having said that that would be the technical method by which it would be done.

Q. The just price would not have, possibly, any relation to the market price of wheat?

A. Absolutely.

Q. And you would consider that it would be a more scientific method—some plan along those lines would be a more scientific method than subsidizing export by depreciation of national currency?

A. I do.

Q. And that selling price, that would be in the national interest, aside from the just price, to maintain the selling price at the point that would be best calculated to induce a large amount of consumption?

A. Yes.

Q. Mr. RONNING: Major Douglas, you outlined to us how, during the past decade, the financial powers have quietly succeeded in getting various civilized nations to formulate laws, and have made it very difficult for us to put into effect such new ideas as have been outlined by you. Would you then consider that a preliminary step toward the establishment of the social credit idea would be the elimination of this mass of constitutional difficulties, before anything can be done?

A. Well, I don’t say before anything can be done, but it is quite possible that action along those lines might be very desirable.

Q. Then one other question, and I am asking this question because, for a number of years I have been very much interested in Major Douglas’ principle of social credit, and I am very desirous, when an experiment along that line is tried, that it should have every possibility of success. Would you consider that, in view of the constitutional set-up, the experiment would stand a greater chance of success if instituted in the Dominion, instead of in the province?

A. I really cannot give you a flat answer to that. It is not an answer which ought to be given except on an exact knowledge of all the facts. The gen-
eral answer is that I do not think the Dominion is much less under the control of international finance than Alberta is.

Q. Mr. WHITE: When Mr. Aberhart was here, he had quite a chart. Have you seen that chart of his?

A. No. What kind of a chart was it?

Q. It was showing how the credit would be established, and how it would circulate in what he called the blood stream, in order to take the purchasing power to the consumer and the return to the producer.

A. I haven't seen it.

Q. Mr. GIBBS: You told us that the international bankers, or the people interested in maintaining and conserving this financial system, have been busy building trenches around their privileges for quite a time. I was wondering if that was perhaps an explanation of the fact that, according to your statement, the Conservatives are taking such an interest in this scheme of yours?

A. No, I don't think it is. I shouldn't like to be put in the position of defending the Conservatives or anybody else. But there is a very interesting fact, that about 1790 or something of that sort, there was a debate in the British House of Commons which lasted for several years; and I am informed—I don't state this as a fact, but I am informed that it is very difficult indeed to find any record of that debate, except by very prolonged research; and it was initiated by the Tories, who for four or five years attacked the Bank of England. I don't want to raise any party feeling about the matter, but it is a fact that the Whig Party in England has always been associated with finance. The real history of the Cromwellian episode is really the introduction of finance from the low countries into England: the real history of the struggle between what we may call the power of the Crown and the power of the Bank of England, because those are the present real powers, dates from that time; and I notice quite a strong feeling among the more conservative elements in Great Britain that they have been led by the nose for a very long time, over this thing. It is not confined to the Conservatives by any means; we have friends in all parties, I am glad to say, but we have quite as many friends among what would normally perhaps be called the reactionary parties as we have in the most advanced parties, and there is perhaps a very direct technical reason for that: The banking system, as a system, is all in favour of a tax on anybody. Now, if you can get a popular agitation against any particular section of the population, and if you will study the history of the last hundred years you will find that one section or the other has been the cause of all the trouble; first it was the landowners, then the big manufacturer, then the shop-keeper, and so forth. Now what happens is this: that those people are taxed, as a result of that agitation. Now who gets the taxes? The people who complain don't get the taxes. The taxes, for the major part, go directly into the coffers of the financial system, because they are the bondholders, they are the people who create war, and the national debts, and so forth. The national debt is created by a technical process, which inevitably in the first place puts it into the hands of the financial authorities, and the service of that national debt requires taxation. Any popular cry against anything except financial institutions, will always be supported by high finance, because it provides the taxes to serve those interests.

The PREMIER: Mr. Chairman, I am sure that the Major must be somewhat weary as the result of the discussion so far this morning. It is rather a strain to sit for two hours and a half and deal with these questions. He has to leave this afternoon—I believe, on the seven o'clock Canadian National train. I would like to take this opportunity, in the event that he does not appear before the committee again, to extend to him, on behalf of the members, our most sincere appreciation for the courtesy and good nature which he has shown in meeting us and speaking to us, as well as in answering the questions put to him by the various members. I am sure we will remember for some time the visit that he has paid to us, and I am sure that our very best wishes go with him on his journey on through Canada and back home. (Applause.)

I would suggest that the committee remain for a while, and you can decide for yourselves whether or not you would like to have the house adjourn a little earlier this afternoon, in order that, if you still wish to propound any more questions, you will have an opportunity of doing so, or you can decide just how you wish to follow up the inquiry that has so far taken place, but I am sure the Major would feel that he would like a little interval before continuing, at least.

Major DOUGLAS: I should very much like the afternoon off, if I can be allowed it.

The PREMIER: Well, I think that will conclude the session this morning, as far as the Major is concerned, and I am sure you will, as you have already, express your appreciation of his courtesy in coming to us. (Continued applause.)

Hon. Mr. HOADLEY: Before we adjourn, is it definite that the committee is of the opinion that it is not necessary to have any more sittings? I presume we have all the information that is necessary? I am speaking only of Major Douglas. Is that correct?

The CHAIRMAN: Then the committee will stand adjourned till ten o'clock tomorrow morning.

This concluded the taking of evidence on the Douglas plan.