A WEEKLY COMMENTARY

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The Price of Freedom is Eternal Vigilance

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Social Credit and Alberta, (Canada-ed) By T. V. Holmes

A paper read on October 10, 1937, to the Sixth Form of a certain Public School

WHAT is this strange doctrine called "Social Credit"? What is it all about? Where did it come from? What is happening in Alberta that the *Daily Telegraph* can liken it to a "powder barrel with the fuse lighted"? What is this Alberta Social Credit Government trying to achieve? And if this eruption of Social Credit fanaticism has occurred in Alberta with apparently such alarming results, what are the chances of similar eruptions in other parts of the world?

Social Credit has passed out of the phase of "interesting ideas" and is already a part of our Colonial history. It is the belief of every Social Crediter that Social Credit will have become world history before many years have passed. So I think that I am justified in regarding this talk as one concerned with world affairs, although it is not so many months ago that a talk on Social Credit was regarded as a talk on the ravings of dreamers and lunatics.

You are probably aware that the founder of the Social Credit gospel (and I would stress the word "gospel" as alone adequate to describe the feelings and attitude of most Social Crediters. After all, the word "credit" means "belief") is a certain Major C. H. Douglas, and you may also be aware that his first book, "*Economic Democracy*," a slim affair of some 150 pages, was first published in 1920. His second book, "*Credit Power and Democracy*," followed in the same year, and it was not until 1924 that the book which has since given its name to the movement, "*Social Credit*," made its appearance.

Major Douglas is not an army man. His military title is only a survival of his wartime rank. He is essentially an engineer, a man of science.

A graduate of Cambridge University, he was employed before the war in several large engineering enterprises, both in this country and abroad. So you see that he is not an "economist," and it was not as an economist but as an engineer that he arrived at certain conclusions about modern industrial society which he set out in his first book, "*Economic Democracy*."

Indeed, it is probable that his knowledge of orthodox economics and financial theories at that time was very limited. It is important to remember this fact, and I feel that its recollection may help us in our endeavour to retrace the sort of steps which I imagine Douglas to have followed. For in this talk I want to avoid financial and economic theories so far as it is possible.

You have probably all heard that Douglas "attacks the banks," that he is the '*enfant terrible*': (one whose startlingly unconventional behavior, work, or thought embarrasses or disturbs others) of professors of political economy. You may have heard that he intends to "manufacture money," to institute "National Dividends," to "sell goods below cost" and other apparent absurdities. All this is perfectly true. But just as Douglas himself arrived at his gospel of Social Credit without any great knowledge of banks and financial theories, so I think that for this afternoon at any rate I will endeavour to "get over" this Social Credit idea and what it means with the minimum of banking and financial references.

Perhaps I might start by making one or two possibly startling assertions about Social Credit. Here they are:

1. Social Credit is no new-fangled idea. It is as old as society.
2. Social Credit is not inseparably connected with money.
3. Social Credit is not Socialism.

1. It was Rousseau who declared that man had been born free, and that everywhere he was found in bondage. Douglas might equally have declared that man was born in a state of Social Credit, and that everywhere today his Social Credit was being filched from him.

The basic idea behind Social Credit, as indeed the basic idea behind Douglas when he wrote "*Economic Democracy*," is well set out in the first chapter of that book: *It is simply hypocrisy, conscious or unconscious, to discuss freedom of any description which does not secure to the individual that in return for effort exercised as a right, not as a concession, an average economic equivalent of the effort made shall be forthcoming. Throughout mediaeval times, this sort of freedom was a fact.*

"In return for effort ... an average economic equivalent of the effort made was forthcoming." What man sowed he reaped. What man wrought he enjoyed. He might, of course, be plundered. He might, of course, owe dues and services to his overlord, and tithes to his church. But at least it was impossible for him to become a bankrupt and a beggar just because he had put forward too much effort and had received from God its economic equivalent in a bumper harvest. Yet this, as you know, can happen today and is happening, and the extent to which it is happening can be taken as a measure of the extent to which "an average economic equivalent" is not forthcoming "in return for effort."

Let me make this point a little clearer. The mediaeval man knew when he was being robbed. The modern man, unless he has made a study of Social Credit literature, does not know that he actually is being robbed. The mediaeval man saw with his own eyes the fruits of his labour. These fruits might be more or less, according to the amount of effort expended, the knowledge applied, the seasons enjoyed. (And I might add here that mediaeval man made no fetish of work. His Holy Days were very numerous — a great deal more numerous than our present "Bank" Holidays.) But he knew that an "economic equivalent" had been received for the "effort" made. And when he took a part of his produce to the local market, and exchanged it for other goods which he did not make, he knew that there had been a fair exchange.

Contrast this position with what happens today. Production is now much more complicated. Most people are engaged in a production which in itself has very little use value. How can the man who turns out a small part of some machine know whether his effort is equal to the food and clothing and shelter represented by his weekly wage? It may "appear" that he is drawing from the business an equivalent return. It may "appear" to his employer that even by foregoing all profit it is impossible to grant the workman a larger return. But in both cases it is not the evidence of the eye which is invoked, as it was with the mediaeval man. The "appearance" is not material at all. It is the appearance of figures. And supposing those figures are untrue? . . .

Anyhow, for the moment, let me be content to assert that Douglas found those figures to be untrue, and found that modern man was receiving a continuously reduced "return" in goods and services for the "effort" he was putting forward. Douglas has defined "Real Credit" as being "a correct estimate of the rate, or dynamic capacity, at which a community can deliver goods and services." Let us see what this means, and what sort of estimate, i.e., what sort of Real Credit, can be based upon modern society's capacity to deliver goods and services.

This, too, is no new idea. You may remember that in the year 1086 a certain William the Conqueror demanded that such an estimate should be made, and the results of that investigation are still to be read in "*Domesday Book*". No doubt William's object was to ascertain how much he, as paramount lord, could draw upon his new estate, what revenues and services he could count upon. But to do so he did cause the basic factors of the country's then Real Credit to be ascertained — its areas of arable, grazing, wood and waste land, its ploughs and teams, its various grades of manpower.

"*Domesday Book*" must have given him a very fair estimate of his new country's "capacity to deliver goods and services." And I think that the best way to visualise a modern State's Real Credit is to visualise a similar *Domesday Book* being made today.

Naturally the difference between the Real Credit of England in 1086 and 1937 be enormous. But the basic idea remains the same — the idea of picturing a country as one large wealth-producing unit, with fields, mines, factories, machines, power-plants, roads, railways, ports and so on. I do not want to stay too long on this point.

I am sure that you are all aware that a modern State's Real Credit, its capacity to deliver goods and services, is very high indeed. And you are probably aware that Production, at base, is no more than Energy applied to Matter. The *Domesday Book* of 1086 had to estimate the country's energy by its manpower and horsepower. The *Domesday Book* of 1937 would make mighty small beer of either manpower or horsepower, although it would measure the energy available in terms of the horse — the "horsepower," which science reckons as about the equivalent of ten manpower. It would be to the country's means of using Solar Energy that it would look for a measure of that country's available energy.

Estimates of this energy made in 1937, in millions of h.p., and excluding motor cars, showed the U.S.A. with 704, Great Britain and Germany with 175 each, and France with 70. Since then the completion of the Boulder Dam has presented the U.S.A. with a further 1,800,000 h.p., the equivalent of 18 million slaves.

In this talk, however, I will assume that you are in full agreement with the orthodox economist, Sir Arthur Salter, when he says: Our material resources, technical knowledge and industrial skill are enough to afford to every man of the world's teeming population physical comfort, adequate leisure and access to everything in our rich heritage of civilisation that he has the personal quality to enjoy. The Real Credit of most countries today — the rate at which those countries can deliver goods and services — is very high indeed. Some countries have a higher Real Credit than others, according to their equipment, their power resources, their intelligence and morale. But as knowledge is the basis of all modern wealth production, and as knowledge today is universal, even the least developed countries can have within their frontiers a very high degree of Real Credit.

2. I now come to my second assertion: that Social Credit is not inseparably connected with money at all. Social Credit can be conceived as consisting of two components: (a) Real Credit, and (b) Financial Credit. It is through the marriage of these two credits that Social Credit is born. To the Social Crediter, Real Credit, the capacity to deliver goods and services, is the substance, and Financial Credit is the shadow, the reflection of those goods and services by appropriate financial media. To the Social Crediter, Financial Credit is similar to the moon, which could have neither light nor meaning were it not for the Real Credit of the sun. By this time you will have realised that to the Social Crediter it is only Goods and Services which count. All his thoughts are based on them. To the Social Crediter, that country is rich which can produce the maximum quantity of desired goods with the minimum quantity of human energy. "Money" is regarded only as a means (albeit a very important and convenient means) for drawing upon or tapping a country's Real Credit.

It is true that in the modern State money functions as the universal "credit instrument." But for Robinson Crusoe, living upon his desert island, a rifle, or even a bow and arrows, formed a much more effective "credit instrument" for drawing upon or tapping the island's Real Credit in bird and beast, than ever money could have been. To the Social Crediter, money is without any significance in itself whatever. It is merely a ticket. Some interested people may pretend that money-tickets cannot function properly unless they are made of gold or silver. Others, more modern, may say that it is enough that they contain a proportion of gold or silver. Others, still more modern, may say that it is enough that gold or silver exist somewhere, even if locked up for eternity in some fortress. But to the Social Crediter all such ideas are mediaeval witchcraft.

The Social Crediter sees as much sense in this sort of talk as in the assertion that a cloakroom or a railway ticket can function properly only if it, too, is made of gold or silver, or has a gold or silver "backing." A cloakroom ticket acts as a "credit instrument," constitutes an "effective demand" for your specific hat. A railway ticket forms a sufficient "effective demand" for a specified railway journey. And, similarly, a money-ticket for one-pound forms a sufficient "effective demand" for non-specified goods and services up to the price value of one pound. But, hat, journey, goods and services can be seen to be in no way inseparably connected with such tickets. It is the "function" alone which gives these tickets their meaning and varying importance. Without the function to perform they are meaningless pieces of paper. They are but the shadow. The substance resides in the hat, journey and the goods.

To understand Social Credit, and still more to understand why it has come into such violent opposition to the Banking and the Money Power, it is most essential to grasp this Social Credit view of money. This question as to what gives money its value, whether it be its gold content or whether it be the goods and services it will buy, is no new issue. But Social Credit has made the issue one of life and death. For if gold is the basis of money, then obviously the owners of gold are the arbiters of money, and the quantity of gold available becomes the measure of its volume. But if goods and services are conceded to be the basis of money, then obviously the community itself becomes the arbiter, and the quantity of goods and services available becomes the measure of the quantity of money-tickets needed.

It is the cardinal doctrine of Social Credit that money must reflect goods and services, whatever that money may be made of, and that just as a cloakroom ticket is given out for every article of clothing handed in, so money tickets should be given out to the community for every article of consumable goods and services handed in to the shops for sale.

3. My third assertion was that Social Credit was not Socialism. It has thus no affinity whatever with Left Wing or Labour Parties. Social Credit is outside of party; one might rather say that it is above party. And for the vast majority of Social Crediters there is little complaint against the existing administration of industry. Indeed, Douglas himself has asserted that the present high degree of productive efficiency, the present high potential of Real Credit, and the present large diversity and variety of choice afforded to the consumer, is very largely due to private enterprise and individual initiative, and that the consumer, for whom alone production is justified, is more likely to find a continuation of such variety and diversity and quality under a continuation of the present system of private ownership

and private enterprise, than under any form of bureaucratically-controlled industry. It is therefore not surprising that of all the hates which the Labour Party indulges in, its biggest and best hate, surpassing that of landlords, shareholders and capitalists, is for the gospel of Social Credit.

Consider for a moment the ridicule which Social Credit throws at the Labour Party and its tenets — asking why there should be a "Labour Party," any more than a "Stage Coach Party" in a world of Boulder Dams and turbines; asking why there should be a Party For Work, when there could be a Party For Leisure; asking why there should be a Class War, when there are plenty of goods and services for everyone; asking why there should be Taxation, when there could be National Dividends; asking why there should be a Bureaucratic Regimentation of Society, when there could be widespread Individual Freedom and Liberty. Perhaps, therefore, we should not be too surprised that the success of the Social Credit gospel at the Alberta elections of 1935 should have made the *Daily Herald* forget discretion in the fury of its rage and hate, when it wrote on August 27, 1935:

A practical trial of Social Credit would demolish its pretensions. Unfortunately it would also demolish Alberta. This would be too high a price to pay even for the discredit of Social Credit, much as those who are working for social reconstruction on Labour lines would like to see that will-o'-the-wisp extinguished.

The Social Credit viewpoint here is very simple. Everyone today admits that "Poverty in the midst of Plenty" is a fact. It is private enterprise which has created that plenty. It is not the producer's fault that the public have not got the money to buy his goods. The fact that they have not got the money hits him as much as it hits them. The producer's job is to produce, and very well he has mastered the job. The poverty, which certainly exists, is not his fault, but is solely due to the fact that the public do not possess the effective demand or money tickets which would enable them to call upon his goods. As Shakespeare might have expressed the position: *The fault, dear Brutus, lies not in our shops. But in our pockets, that we are underlings.*

I have little doubt that it was with some such reflections that Douglas around the year 1918 started out upon his investigation of the present financial system. But before following him in this investigation, I would like to add one or two further ingredients in Douglas's mental make-up at that time. Because although they may seem fairly self-evident, they are certainly not accepted as such by modern governments, nor by most educated opinion, and because they do demonstrate that simplicity and wisdom of Douglas which endears him so much to his disciples. From the very beginning Douglas had postulated:

(1) That the sole justification of any productive system can only be personal consumption.

(2) That the true function of a factory is to produce goods. It can be no valid purpose of that factory to "make work." If a factory has a purpose of this nature at all, it should rather be to "unmake work." A factory must reckon its efficiency by its economy of work, not by its creation of work.

(3) In the words of Douglas, found in the first chapter of his first book, "*Economic Democracy*": "*Systems were made for men, and not men for systems, and the interest of man, which is self-development, is above all systems, whether theological, political or economic*."

And now let us consider the results of Douglas's investigations into the financial system. One of the first discoveries he made was that the system appeared to have a life apart, a life almost removed from the humdrum world of producers with their goods for sale, and consumers with their wages for purchases, and that, in this peculiarly unreal life, ticket-results meant everything, and goods-results meant nothing. He discovered that, whilst on certain rare occasions like the great war, finance might permit a goods-result commensurate with the country's Real Credit, as a general rule finance was actually hostile to anything like the country's Real Credit being drawn upon.

What mattered was a satisfactory ticket-result. Did this entail goods-destruction, goods-restriction, unemployment, bankruptcies, poverty and misery — well, it was all very sad, but it simply could not be helped. Tickets were so obviously more important than goods, and the welfare of the ticket-system so obviously more important than the welfare of the goods-system. Finance certainly did not agree that "systems were made for man." It was only too certain that man had been ordained to serve the banking system.

I am afraid that I shall be charged with exaggeration. So I will ask you to reflect upon this extract taken from the Paris paper *L'Information* of January 16, 1934:
Among the several indications now to be noted of national economic recovery, there are one or two which deserve special mention. The statistical position of agriculture is considerably better, thanks to the fact that the stocks of 1933-4 are now so weeviled as to be unsaleable, and that the recent floods have certainly reduced the possible crop for 1936.

It is very difficult to believe that Douglas really expected to find a system of synchronised mesh between the productive and the money systems. But as an engineer he did realise that, unless there was some sort of synchronisation between the goods entering the shops and the money tickets entering the pockets of individuals, the productive system was likely to find itself perpetually impeded and restricted. Anyhow, he quickly discovered that no synchronisation existed. What he did find, and what still persists in every country in the world, might be compared to a theatre whose box office refuses to co-ordinate its ticket issue with the seating capacity of the theatre. For months on end this box office, which corresponds to the banking system, would refuse to issue tickets for more than a fraction of the seating accommodation. And then perhaps, just when the theatre management had decided that these surplus seats were unlikely to be required again, and had actually dismantled them, the box office would suddenly decide to issue more tickets than there were now seats available.

I think that you will have been able to follow the simile. When trade is bad, goods remain unsold. The producer eventually decides that he must produce fewer goods. There is no point in producing goods which cannot be sold. Factories work at half-time, farms turn from arable to grass, shops cease to carry the same stock of goods. And then for some quite extraneous reason the banking system suddenly creates many more tickets than there are goods of a consumable nature available at that moment. Hence a rise in the price of those goods which are available. Hence the ticket of £1 finding itself reduced in terms of purchasing power, just as the theatre ticket had found itself reduced in terms of seating power. The article that formerly cost 20s. now costs 30s., which is the same thing as saying that your former ticket which entitled you to a whole seat, now entitled you to only two-thirds of seat.

Later, of course, the position is reversed. Producers rush in to supply the demanded goods. But production takes time, and only too often when the additional goods are ready for the shops, the shops cease to be ready for the additional goods. The box office has once more gone to sleep!

I do not wish to dwell too long on this feature of prices and purchasing power. Perhaps one of these days, if it interests you, I could attempt to explain exactly how the present money or financial system works. All that I want to press home at the moment is the fact that it is very seldom that the production system is called upon for goods to anything like the extent to which it is capable of delivering goods, that it is never the production system which sulks, and that it is left to the money system to decide, pretty well of its own sweet will, to what extent it will play the game and co-operate with its very much inferior partner.

But I must say one or two words on sellers and buyers, on the prices of the goods and services for sale, and the money in the pockets of the would-be purchasers.

"Effective demand" means the money-incomes lying in people's pockets. How do these get there? There are only three possible ways: pocket money may enter your pocket, either as a wage, a salary or a dividend. All the money to be found in anyone's pocket, and which alone constitutes effective demand, came there in one of these three forms. For purposes of convenience, I will refer to them all as "wages."

You probably know what is meant by the cost price of an article. It is roughly the money which has been spent upon its production. Under modern conditions, production is a long-drawn-out process. An article which is today on sale in a shop may represent raw material from two years ago, labour over the last twelve months, and the co-operation of several separate factories. Thus wheat costs the farmer so much to produce. This price he recovers in his sale to the miller, who again has to spend money in order to turn the wheat into flour. The miller sells his flour to the baker, who again has to spend money in order to turn the flour into bread. Each stage of production is possible only by the spending of money, whether on raw materials, on wages, on plant charges, on transport, etc. Thus from one point of view industry can be regarded as engaged in two separate functions. Not only do the various producers produce goods, but in the process of doing so they are compelled to incur costs. So when a shopkeeper tells you that he is selling you an article at cost price, he means that that amount of money has been spent upon the production of the article, and that it is the lowest sum at which he can sell the article, unless, of course, he wishes to lose money and see himself drifting towards insolvency and the bankruptcy courts.

A moment's reflection will convince you that production, whether of boots, shirts or what not, proceeds only so long as it is "profitable";; which means that it proceeds only so long as the producer can "recover his costs," with, if possible, something over for his own "cost" or "wage." And you will further realise upon reflection that whatever the article may be, whether boots or boats, its "cost" can be recovered, in the long run, only in one place, the shop, and from one source, the money in people's pockets, their wages. This fact is obvious enough when one considers consumable goods such as boots. But it is nonetheless true of non-consumable goods like boats. Such "capital goods" must be paid for by someone. Their costs must enter into these shop-goods somehow. And it will be found that the cost of the factory and of the machines in the factory must be added to the cost of the goods produced, the cost of the ships and the railways must be added to the cost of the goods conveyed from one point to another, and that wherever one starts, one has eventually to finish up at the shop, where the final duel takes place between prices (representing costs) and effective demand (representing wages).

And the great discovery of Douglas was this: He discovered that the rate at which industry was being forced to incur costs was a much faster rate than that at which industry was giving out effective demand or wages. As an engineer, Douglas said to himself that prices and wages should be like the negative and the positive terminals of a battery, or like two trains travelling along parallel lines, and travelling along those lines at the same rate of speed. Instead of which he discovered that the price-train was all the time travelling at a faster rate than the wage-train, with the inevitable result that the existing gap between prices and wages was getting wider and wider.

The natural deduction from these facts was that, as prices had to be recovered somehow if the industrial train was not to stop altogether, and as only a fraction of them could be recovered from the wages which industry had given out during the same period of time, someone, somewhere, somehow must be creating a supplementary source from which they were being recovered. And Douglas further ascertained that this supplementary source was being provided by the banking system as a loan or debt to the community, which, whilst certainly easing the immediate position, was still further widening the gap in the future, as these loans, too, had to be recovered in the prices of future production.

I am afraid that you may find this idea rather difficult to grasp. But perhaps you can understand the position by imagining a shop with goods for sale costing £100, customers with wages totalling £50, and finance coming along and arranging to provide the missing £50 as a loan. This loan might be incurred by someone building a house, a factory or any other object which finance might consider a sufficient security for the loan of the £50. And the essential point to grasp is that although this loan eases the immediate position, although it enables the shopkeeper to sell his stock of £100, this loan has to be repaid sometime, and therefore has to be added to the cost of future goods, and thus makes a still further addition to the speed of the cost-train, and a still further widening of the gap between prices and wages.

On the next occasion it will not be £50 of extra money which will be needed, but perhaps £60.

In plain terms, industry is perpetually producing a surplus of unsaleable goods, to buy which the money does not exist in anyone's pocket, and to ease this ever-recurring condition, finance is perpetually having to find means of lending money to the community. During the last hundred years this fact has been concealed by foreign borrowing for the development of colonies and backward countries, and by home borrowing for the making of railways, towns, ports, etc.

Today there are such schemes as slum clearance, housing schemes, rearmament, roads and so on, excellent things in themselves, no doubt, but chiefly important as a means of providing to the community the badly needed effective demand or wages. The only snag is that the country finds itself still further in debt to the money system.

The old jibe of "attempting to borrow oneself out of debt," or of "attempting to raise oneself by one's boot-laces," is as good a picture as one can give of what is actually happening.

You must always remember that it is a cardinal rule of modern society that wages shall be given out only as against work and services rendered. Hence, no production, no wages. It does not matter that barns are full of food, stores of clothing, work must be created somehow, or there will be no wages for the would-be purchasers. It does not matter that coffee is being burnt, cattle slaughtered, and fish thrown back into the sea, work must be created somehow, or there will be no wages to buy the goods which are not destroyed.

It does not matter that the march of science and invention is all the time eliminating human effort, and that the machine is sacking the workman; work must be created somehow, or there will be no buyers for the machine's products. The position cannot be better stated than in the words of the present Minister of Agriculture, Mr. W. S. Morrison:

The only device which man has yet discovered by which the wealth of society can be distributed is work in the field, the factory or the office. Unless there is distribution it is of no use producing. That is why politicians guide themselves mainly by those policies which produce the greatest amount of employment. From which it results, as *The Times* pontifically announced in its issue of October 27, 1936: *He is a public benefactor who can provide employment for two men where only one was employed before*. And as it is obviously no use producing more consumable goods with so many still unsold and with wages so difficult to maintain, the tendency of politicians, or rather of finance, is to provide work which will enable wages to be earned, but which will not further add to the stock of unsold consumable goods. Hence the provision of work of the treadmill variety, whilst doing everything possible to plan or restrict the provision of work for the production of consumable goods.

It will not be necessary to point out that this condition of prices forever outpacing wages on the home market is unquestionably the most potent cause of friction between the nations. Until very recently this extra work was provided by the opening up of undeveloped countries. But today the possible markets left to open up are very few, and, worse still, the opened-up market of yesterday is today a competitor for what markets are left.

We are here, however, only considering the fact of prices forever speeding further and further away from wages, in its reference to the Social Credit outlook. It means, of course, that under the present system of ticket-issuing and price-costing the community is each year able to draw less and less upon its Real Credit. The simile of the donkey and the carrot is much too flattering to us. It is the simile of the donkey patiently and persistently following the carrot, even when the carrot is hurrying on ahead and almost out of sight. Such was the technical position of prices and wages as discovered by Douglas in 1918. And as a technical problem Douglas found it by no means difficult of solution. Again, it was a purely engineering problem.

Prices were being created faster than wages. Then either wages had to be increased or prices had to be reduced, or both. Douglas showed how this could be done by the opening of a National Credit Office (a sort of permanent *Domesday Book* record-office of the nation's Real Credit), the periodical fixing of a Compensated Price (called the Just Price), and the issue of a National Dividend, so that by a simple financial manipulation the money in the pockets of consumers on the one side of the shop counter would be able to look squarely in the face the prices of goods on the other side of the shop counter.

Now, had the flaw in the price system been a simple flaw in the gas or electric system, the best brains of the country would have been employed, and the problem would have been solved quickly enough. But Douglas was to find that money, whatever it ought to be in a sensible society, was no ordinary ticket in our present society. He found that there existed a monopoly, with the power to create and destroy these tickets at will, and that this monopoly represented a Power, not only in the land but in the world, which was not greatly concerned with the detected flaw in the price system.

He found that it was much more concerned with maintaining its power than with solving the country's difficulties. If anything could be done without touching its sacred "Ark of the Covenant," so-called sound banking principles, then it was prepared to talk. But there must be no question of treating the control of money as if it were a mere control of paper-tickets. Here were the lords of creation, masters of the universe, controllers of nations, of governments and of peoples, being asked to become simple book-keepers of society, and to take on the function of a tally clerk.

For two hundred years finance had been the undisputed master of industry, and here was a man who declared that they must become industry's humble servants. For two hundred years finance had been the *de facto* government of the nations, and here was a man who declared that they must be prepared to abdicate if they did not wish to see civilisation falling about their temples.

For two hundred years finance had been the master of "all that money can buy," the dispenser of favours, the source of patronage, the controller of news, the supporter of political parties, and all so discreetly that scarcely anyone was aware of its presence, and whoever else might be blamed for the misfortunes of the nations, the blood and tears of wars, the famines, bankruptcies, poverty and crime, certainly no one ever dreamt of suspecting the financial system of being the culprit.

Here you have the main issue between Social Credit and the Money Power throughout the world. Does the Money Power intend to maintain its power, to risk finding itself openly recognised as "Public Enemy No. 1," the "Enemy of the People," or is it prepared to descend from its throne and to allow the nations once more to have access to their own Real Credit? The position could not be better stated than in the words of *Reynolds News* of August 22, 1937, when speaking of the Alberta position: *For the first time in modern history a State has unequivocally demanded of its banking institutions the systematic monetisation of the community's credit, under the instructions, supervision and protection of the State.*

The action of the Alberta Government is the more remarkable because, owing allegiance to none of the elder political parties, it is impossible for the omnibus term "Bolshevism" to be hurled at it; nor can "Fascism" be alleged against an administration acting on an electoral mandate. The financial issue stands for the first time clear of political complications. It is a straight conflict between the legally appointed government and the legally entrenched monopoly of credit. Mr. Aberhart placed the issue in clear terms when he telegraphed Mr. Mackenzie King:
"We challenge the right of the banks to monetise the sole credit of Alberta as they deem fit. We challenge the right of the banks to control and restrict our people's access to their own credit within their own province."

It must not be thought that finance feels happy about her position. Legally she is unassailable. Yet in fact she is beginning to realise that she is a colossus with the feet of clay. It was only recently that Mr. Montagu Norman, Governor of the Bank of England, allowed himself to use these words: *I do not feel that I have the courage to point out the peculiar difficulties of the present position. I cannot see through the mist of the future with any certainty whatever.*

In conclusion, and so that it may not be thought that these ideas on the power of finance are possibly the result of an imagination jaundiced by Social Credit ponderings, let me draw your attention to what the Premier of Canada, Mr. Mackenzie King, and the Governor-General of Canada, Lord Tweedsmuir, have said on this subject. Their statements acquire an additional poignancy from the fact that these two men seem destined to play important roles in the world drama which has now been staged in the Province of Alberta.

Mr. Mackenzie King said at Saskatoon on September 21, 1935: *Canada is faced with a great battle between the money power and the power of the people, a battle which will be waged in the new Parliament. I plead for a sweeping Liberal victory to carry out my policy of public control of currency and credit. Until the control of currency and credit is restored to the Government all talk of the Sovereignty of Parliament and Democracy is idle and futile.*

Lord Tweedsmuir (John Buchan) wrote in "*A Prince of the Captivity*", published in 1935:

There is a great and potent world which the government do not control. That is the world of Finance, the men who guide the ebb and flow of money. With them rests the decision whether they will make that river a beneficent flood to quicken life, or a dead glacier which freezes wherever it moves, or a torrent of burning lava to submerge and destroy. The men who control that river have the ultimate word.

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BASIC FUND

The Basic Fund for this financial years is open. I am making a special call to all those who have planned to make a donation but maybe have over-looked doing so. The fund did not fill this past year so it will be wonderful if we can make a special effort with new donations. As always, we appreciate your contributions no matter how large or small. Each donation is really a vote of thanks for the work of the League and acknowledgment of the dedicated effort of those in the 'engine room'.

EXPANSION FUND

There are plans afoot to considerably expand the number of League Speakers going into the field. They will require logistical and some financial support in advance, ready to respond to events as they occur. These forces of freedom offer leadership to a misguided public looking to restore their ancient rights and freedoms.

BEQUESTS

Apart from the Basic Fund, the League is also a recipient of bequests from supporters who remember us in their Will. These dollars are the backstop and while we are grateful, it is unfortunate that on those occasions we are unable to personally express our thanks. Best details for establishing a bequest are available from HO.

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