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CONTENTS.

NOTES OF THE WEEK.

Aberhart and Mussolini.

It sounds rather a joke to conjoin these two names at the present moment. Yet, if one ignores moral valuations of political objectives, there are to be seen some instructive resemblances between the issues respectively opened up by the projected enterprises of Mr. Aberhart and Signor Mussolini and the circumstances in which these two men have recently divided between them the chief honours of world publicity. These resemblances were bound to appear, for the reason that the chain of causation in both cases proceeds from one identical source, namely, the fundamental flaw in the cost-system discovered sixteen years ago and exposed in THE NEW AGE week in, week out, through the whole of that time.

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The unsound principle of calculating so-called "recoverable" costs led to the restricted and inadequate distribution of potentially accessible wealth in every national credit-area in the world. The obstinacy of the bankers in adhering to that principle led to intolerable conditions of impoverishment in those areas. The evils suffered by the populations led to an impatience to be rid of them, and this was made manifest in a growing tolerance of the idea of dictatorships. Thus political autocracy is the inevitable outcome of financial perversity, and the excesses of the dictator are the logical extension of the distresses of the people. The impotent admire the manifestation of dominant power, the distracted welcome the assumption of directive wisdom, the despairing clutch at the chance of quick action, the disillusioned regain confidence in the spectacle of a new kind of policy, and particularly so when the responsibility for carrying it out is unequivocally accepted by a small and identifiable group—ideally by one person. Hence arises your dictator—the Moses who will lead the Children of Israel out of captivity. And let this leader clothe his promise with the militant rhetoric of the "Seven Plagues," then universal submission to his orders sets as hard as concrete, and he has before him a smooth road along which he can drive untrammelled by the pedestrian-crossings of Democracy or the signal-lights of Parliamentary Debate. The snag is that this road, for all its quality of smoothness, is so wide that it ceases to be a road in the accepted sense, it is an illimitable expanse of surface bare of any indications of direction; it is a road that goes every way at once. Directly you banish all reason from the submission of the governed to the will of the governor you banish all the landmarks of statesmanship. The blindness of the ruled blinds the ruler.

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Now these reflections are not directly, or wholly, applicable to Mr. Aberhart. They are partly applicable from the point of view that the electorate of Alberta have made him the undisputed ruler of Alberta in a practical sense by the mere weight of their numbers. There is no opposition to speak of; and any legislative measures he chooses to insist on will have the effect of autocratic decrees. Within the scope of initiative left him by the Dominion constitution he is, at least for the time being, the master of Alberta. As such, his position is analogous on a small scale to that of Mussolini or Hitler on the large scale. However, we intend our reflections to bear more on the attitude of the Canadian Press towards his victory. The papers generally attribute it partly to his personal ascendancy over his followers, and partly to the extravagance of his promises to the electorate. Many of them confidently prophesy that he will not be able to fulfil his promises, and that when his inability to do so becomes manifest, his ascendancy will vanish and he will fall from power. They base this prophecy, not so much (if at all) on the question of the technical feasibility of his adding to the prosperity of Alberta as on the belief that in order to do so he would have to secure powers from Ottawa which Ottawa will refuse, and must refuse on the ground that what would be meat for Alberta would be poison for the other Provinces of the Dominion. The tone of all these papers is one of benevolent incredulity. But the motivation of this attitude must not be taken to mean beneficent impartiality. One or two papers are friendly enough to say that if Mr. Aberhart succeeds they will be only too pleased, but between the lines of the context there are plain insinuations that this saving " if " is unthinkable. With one or two exceptions it would appear as if the whole Press has been inspired, directly or indirectly, to refrain from cramping Mr. Aberhart's style and thus to deprive him of the excuse, in the event of his failure, that they had handled the rope on which he had hanged himself. We do not mean to suggest that the banking interests have intervened to persuade or coerce any editor to take up this attitude; there is no need to suppose it, for it is the attitude which any leader of public opinion would naturally take up who subscribed to the traditional axioms of " sound finance " which Alberta has implicitly challenged. No, the lesson of this phenomenon is rather that the bankers have long since shaped events, thoughts and habits in such wise that they can get their own way without intervention. There are plenty of noble brows ready to bless damned errors without needing guidance by the astute authors and perpetuators of those errors. So it is not surprising that the Press in question has unconsciously shown a uniformity of attitude which, in plain English, amounts to the tacit injunction: " Leave Aberhart to the bankers."

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Of course, commercial calculations enter into this policy of restraint. When you have 151,536 votes going to Mr. Aberhart out of a total of 296,290 votes, and also 30,682 votes out of the same total going to the U.F.A.—making a Social Credit vote of 182,218, you expect to find newspaper enterprises doing all they can to avoid affronting such a mass of potential and actual readers, particularly when, as they themselves allege, this opinion is the expression of a violent, unreflected emotion. They must at least wait until Philip drunk becomes Philip sober. Accordingly their business managers " bow to the will of the electorate " from the windows of their subscription and advertising departments, however strongly the editors may deride the intelligence of the electorate at the dark end of the room. Nevertheless, this deference is not inartistically overdone. Press editorials promise criticism of Mr. Aberhart's policy if it invites such criticism when unfolded. This is all according to the book of constitutional procedure, based on the doctrine that effective government depends upon intelligent opposition. Whether by intention or not, it conveys a hint to Mr. Aberhart that he, too, must prosecute his policy according to the same book, and must not regard his large majority as a mandate for unconstitutional behaviour—that, if Ottawa is obliged to refuse him the powers he may demand, he will emulate Mr. Winston Churchill's recent handsome gesture over the India White Paper and publicly express his " cordial acceptance of defeat."

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This leads us on to a further consideration of the Aberhart-Mussolini parallel. If you open your map you will see that Alberta is, so to speak, an island in a sea of Canadian Provinces corresponding to Italy in a sea of European Powers. Whereas Aberhart is, in prospect, up against the Canadian Constitution, Mussolini is, in prospect, up against the European Constitution. The constraints of the British North America Act have their parallel in those of the Covenant of the League of Nations. Just as the first affect a united Alberta, so the second affect a united Italy. The Powers have invoked the Covenant to justify the use of " sanctions " to safeguard the doctrine that no nation shall resort to war as the means of rectifying national grievances. In like manner the statesmen of the Canadian Provinces are invoking the British North America Act with the intention, when the time comes, of justifying the use of " sanctions " to safeguard the doctrine that no province shall resort to credit-creation or credit-manipulation as the means of rectifying provincial grievances. Needless to say, there is an immeasurable gulf between a military excursion and a monetary experiment if we import ethical and humanitarian criteria of judgment into the discussion. But to do so here would be irrelevant, for not even the most casual student of international politics supposes that these criteria enter into the calculations of statecraft. We shall ignore them, therefore, and proceed to point out that the real objection to Italy's invasion of Abysinnia is based upon fears of the militaro-economic disturbance of the balance of power which her absorption of that country would cause. In this realistic frame of reference the parallel with Alberta is as follows, that the successful introduction of Social Credit into that province ahead of all the rest would upset the present precarious equilibrium of inter-provincial trade and finance throughout the Dominion.

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Then as regards " sanctions "—that is to say, the visitation of penalties. The principle of a concerted application of direct pressure is easy enough to formulate, but difficult to implement. For while it is true that Italy's success would dangerously rock the boat of European equilibrium, it is also true that punitive attempts to prevent that success would have the same immediate result, and perhaps worse ultimate results. Mussolini knows this quite well. The collective European condemnation of his policy looks imposing on paper, but the " alliance " which waves the banner of the Covenant is composed of a conglomeration of " commands " each of which is as much concerned about the good faith of the others as about the delinquencies of Italy. There is no conceivable scheme of sanctions applicable to Italy which guarantees that each participating Power can apply them with exactly the same risk as is run by the others, or with exactly the same advantage as accrues to others. Whatever eventually happened to Italy the balance of power among her assailants would inevitably be altered, whether in a monetary, economic or military sense. Again, not all Powers are equally threatened by Italy's venture, hence the incentive to co-operation in stopping her varies in strength as between those who are most concerned and those who are least. To sum up, sanctioneering is a double-edged weapon.

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This large-scale dilemma for Europe is matched, at least incipiently, by a small-scale dilemma in Canada. Assuming that the unanimity and insistence of Alberta for concrete results in the given time schedule by the methods announced can be maintained, it is quite possible that Mr. Aberhart will do something to bring down upon himself reprisals from the sanctioneers of Ottawa. It is possible, and indeed probable, that these would reduce him to impotence. But, as in Europe, so in Canada, the other provinces would be required to ally themselves against the Alberta disturbers of the bankers' peace, and the same divided calculations would disturb their own peace. One or other would have to pull the hottest chestnut off the stove for the bankers' benefit, and the provinces would begin to ask whether

the blisters were fairly distributed among their paws, and perhaps—who knows?—where the chestnuts were going.

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Elsewhere we reprint from the official record Professor Elliott's technical criticism of Mr. Aberhart's proposals. Although he safeguards himself by saying that his remarks must not be taken as applying to schemes other than Mr. Aberhart's, some of them will be seen to be valid against authentic Social Credit. For example, where he argues that the introduction of " Aberhart " credits to consumers will tend to drive Dominion credits out of Alberta it will be seen that, on his assumptions, his reasoning is sound and would apply to any scheme which involved the creation and use of credit outside the banking system. If Alberta depends on other provinces for the bulk of her consumption commodities, and if these provinces raise their prices in terms of Alberta currency, it is possible to imagine a situation developing in which her currency depreciated to a point which virtually put a ban on her imports. If this involved physical deprivation sufficient to overthrow the Government of Alberta, and were to take place in a comparatively short time, that would be all well and good from the bankers' point of view. But a ban on imports into Alberta is a ban on exports out of other provinces; and it is necessary to remember that these provinces would need Alberta's money just as much as Alberta needed their goods. So physical shortage inside would be answered by financial insolvency and disemployment outside. Would the bankers forgive the would-be exporters their overdrafts, and advance credits for unemployment maintenance? They would be able to do so, of course, but would they find it expedient when instructed observers all over the world are watching to see if they intervene? For it must be emphasised that in view of the world-wide publicity given to the Social-Credit analysis of their technical powers and political methods, the bankers will have to be specially careful not to do anything which gives away their case that the evils which befal " monetary heretics " are the natural consequences of their heresies in operation. Granted that the paralysis of trade between would-be importers within Alberta and would-be exporters outside is allowed to be a " natural consequence," the spectacle of the bankers coming in to repair the damage outside while refraining from arresting its progress inside would explode the myth that either consequence was natural in the sense of being inevitable and irretrievable. As already hinted, it is possible that Alberta could be brought to heel quickly enough to spare the bankers the embarrassment of disclosing favouritism and showing that a private enterprise can kill a representative Government with a huge majority behind it. But the job would have to take place fairly quickly, because, if Alberta could produce exportable wealth in the meantime, while somehow doing without the banned imports, she could export it remuneratively at any price that would fetch orders, partly because the depreciation of her exchange would automatically cut her normal prices in terms of outside currencies (whether Dominion dollars, or currencies of other countries than Canada), but chiefly because (assuming that an authentic Social Credit scheme was operating) she could dump the products free of charge without incurring a financial deficit. As we said before, sanctioneering works two ways. The descent of heterodox Alberta to primitive means of living on her own resources, if she could tolerate them for the sake of the larger ends of policy, would cause an equivalent collapse among her orthodox neighbours. Another point should be noted. Professor Elliott refers to the fact that under the Constitution of Canada no province is allowed to impose import duties against any other. Canada is constitutionally a free trade area. Hence, unless the bankers intervened in the circumstances under discussion, Alberta's neighbours would be powerless to avoid the disastrous effect of an influx of her products at cut-throat prices.

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Further discussion on this phase of the problem will be largely speculative until a rough inventory of Alberta's internally convertible and usable resources—the index of her physical self-sufficiency—has been taken. But what has been said is important for another reason, which is this: that the truth of the Social Credit diagnosis and the soundness of its remedy would be entirely unaffected by the inability of Mr. Aberhart to get a scheme into operation singlehanded. Mr. J. W. Keynes's famous proviso that *if* the bankers " keep in step " there is no limit to the amount of credit which they can safely issue, applies with the same force to issues of credit by Governments. If " keeping in step " is the condition of practicability in orthodox credit policy the presumption is that the same condition would render a heterodox policy practicable. Falling out of step, especially on matters of fundamental principle, is bound to frustrate or impede any sort of progress towards any sort of objective. So if Alberta is left to do the pioneer work of establishing Social Credit, she will be working under the heaviest handicap and severest test that can be applied to any policy. So if she were to succeed in improving ever so slightly the condition of her people in such circumstances she would have established a strong case for other provinces to fall into step with her. Let it further be noted that if critics jeeringly say: " Oh, so, after all, your financial principles need the co-operation of everybody " the answer is (a) that so do the bankers' principles, and (b) that if the bankers could (which they cannot) get everybody to do exactly what they told him, the result would be a worse mess than we are in now. In fact the bankers have never trusted themselves to give definite standing orders, for this very reason. They have always sheltered behind ambiguities and equivocations: thus: " Deflation " was once the order of the day, but not an order imposed on every country at the same time, nor an order which was to stand for any prescribed period of time. Post-war America was enjoying inflation at the same time as Great Britain was trying to enjoy deflation. Then when Great Britain got restive under her restrictions the bankers hedged and said that perhaps the deflation had been *too steep*. Later, they said: " Let us undo the michief of the *too*-ness of the steepness of the descent by trying out a re-ascent, *but* this time without any *too*-ness." They neither prescribed the angle of the correct gradient, nor the direction or distance which the people should travel along it. They waited to see what would happen, in order to understand what was wrong with their orders, and to get a tip for amendments to these orders. At one time their cry was: " Only saving will save us." Right. The people saved, and saved, and over-saved. " Halt! " cried the bankers: " This won't do. You must un-save a little—not *too* much—but just enough to 'spend wisely.' " Ah, if only they could eliminate this cursed *too-ness* from the people's obedience to orders—if these people would only yield obedience tempered with disobedience—then, oh then, what blessings would arise (oh yeah!), or might arise, to crown the impeccability of their financial axioms.

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Against the menacing clouds of all this uncertainty and ineptitude Mr. Aberhart's proposals, for all their alleged defects and extravagances, shine out like the rainbow. Granted that the concentric bands of colour are not yet seen in their proper spectroscopic order, the arching of the bow is plainly discernible, and where its ends touch the earth and the sea of the economic system there shall we find the bags of gold transmuted into the bread of life. *"The people that walked in darkness have seen a great light."*

The Point of the Pen.

By R. Laugier.

XLIII. (VI.).—IRISH FREE STATE: IMPRESSIONS.

I have travelled from Manaos to Vladivostok, from Gothenburg to Mozambique, but I have seen no more lovely place than Glengariff, in County Cork. Standing twenty-five miles inland, and so sheltered snugly, the village is yet lapped by the waters that flow into its harbour from Bantry Bay. North, east, and west are mountains; and the valley, about three miles long, is flanked by precipitous cliffs and rocks. Glengariff has dominion over palm and pine; also over hydrangeas, "monkey-puzzlers," melons, tomatoes, and grapes. There are hedge-rows of wild fuchsias, extending for a hundred yards and more. Upon the rocks are all kinds of ferns; and the acrobatic cows of Glengariff, which stand on dizzy ledges, with all the aplomb of Himalayan goats.

One should stay at the Eccles Hotel, which has *the* view: the harbour, full of little islands, "containing many species of subtropical flora" (vide guide book). Around the islands are small craft and innumerable birds. One awakens at sun-rise to the music of these fowl of the air and water: it is like a huge orchestra tuning up, an orchestra of exotic instruments emitting the most fantastic cries and squawks, from deepest bass to highest notes of the flute. The hotel has a library of imposing appearance (and there are picture postcards of it), with all the books placed discreetly behind wire. There are even some books that one might be tempted to steal, but not many. American taste is catered for. Lowell, Holmes, and Emerson. Numbers of the *Occult Review* lying about. In the hotel are displayed examples of Irish lace, made by a lady in the village. 'Collar and cuffs, £1 1s., Modesty vests, 2s. 6d. to 4s." A little booth opposite the hotel sells cigarettes, post-cards, souvenirs, shillelaghs of blackthorn. There are copies of H. V. Morton's "In Search of Ireland" and "The Key Above the Door," a novel of Irish tinker life, by Maurice Walsh.

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Illanlullin Island, or Garnish Island, is only a couple of miles from the shore, and is in the harbour of Glengariff. I pulled out there—with fisherman's oars—and repented my folly later, with blisters. But I shall never repent having seen the island. A magnificent blending of wild rock and exquisite, cunningly-made gardens. At one side, on the rocks, stand the ruins of a Martello Tower, built by the English in 1814. On the other side of the island a lovely formal garden, containing a vast variety of shrubs and flowers, from the myrtle of America to the wild rhubarb of Turkey. Bright red water lilies float upon a fish pond, beside which stand Japanese dwarf trees, and vases of Rome, Greece, Nankin, Egypt, all many hundreds of years old.

Here Mr. Bernard Shaw wrote "St. Joan," and one may buy postcards of the playwright showing him standing in the Italian garden between busts of Homer and of the youthful Nero. In this postcard one sees little of the garden, but there is Mr. Shaw: one cannot have everything.

There is a landing-charge of 2s. It is worth it.

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The Cork accent prevails in Glengariff and resembles the Welsh. The water here is soft, as in Dublin; wonderful water for shaving, and pleasant to drink in the form of stout.

One is invited to visit the headquarters of Glengariff's knitting industry. Hard-working girls are busy turning out socks, pull-overs, and complete costumes. The machinery looks crude, and has, no doubt, been superseded. England practically destroyed the Irish tweed industry, by the old trick of flooding the country with cheap English tweed and driving the Irishman out of business: then the price of English tweed was raised. It is well to remember what imperialism and the "healthy competition" of *laissez--faire* means. Imperialism incorporated in the East India Company cut off the right hand of all Indian master-workers in silk, in order to sell Manchester stuff, in place of the lovely *saris* that would, and will, pass through a wedding-ring. Well, the game works, for a time! Meanwhile, Ireland is dotted with great mills, now stark and empty. Ballinakil (Leix), once famous for its tweeds, has now the appearance of a "deserted village."

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Roach's Hotel, Glengariff, has charming grounds, and there is a waterfall in the woods: a pleasant walk on a hot day. A party of sight-seers arrived in a small charabanc which, I noticed, had a Rolls engine—a rarity?

From Poulgorm one has a fine view of Glengariff Harbour, the little islands and boats, the variety of birds and vegetation. Due to the kindness of the Gulf Stream, says the guide-book; but, since the recent experiments conducted by Monsieur Le Danois, on board the President Theodore Tissier, the guide-books will have to find a fresh theory.

I saw no "dancing-board" in the village of Glengariff—either boards or cement platforms—but a *ceilidh* took place, I think at the cross-roads. To the sound of an accordion they danced until one in the morning, the local talent and the swagger hotel-guests, from London and Liverpool, New York and Seattle. I lay in bed, with the windows open against the warm night, listening drowsily to the sounds of music, laughter, and rhythmic shuffling feet. . . .

Review.

Jefferson and/or Mussolini. By Ezra Pound. Stanley Nott. 6s.

If Mr. Pound could bring himself to marshall his thoughts and express them lucidly he might produce a valuable book about Mussolini's Italy. There are gleams of sense in this rather tiresome jumble; enough to make one wish that the author would grow up. It is a pity that one of the few men of letters who have backed Social Credit should cling to a style which obscures his considerable intelligence and limits his appeal to the coteries.

M. J.

Aberhart Plan Criticised.

[Evidence of Professor Elliott, Department of Economics, University of Alberta, before the Agricultural Committee of the Alberta Legislature, April 12, 1935. Reprinted from Official Record entitled, "The Constitutionality and Economic Aspects of Social Credit."]

Professor Elliott: I have been asked by this Committee to come prepared to give a statement concerning the probable effects, the probable economic effects, of the following group of proposals.

In this statement I propose to consider the probable effects of the following group of proposals quoted from "Study Group Feature No. 3," obtained from the Social Credit headquarters in Edmonton:

"(1) Through the agency of basic dividends granted to every bona fide citizen (sic) we shall give purchasing power sufficient to buy the bare necessities of food, clothing and shelter, without basing the same on work, but the unearned increment of Social Credit.

"(2) This will be distributed through Credit Houses at which monthly (sic) a Credit pass book will be presented by each citizen and an entry of $25.00 will be made.

"The citizen will then be able to pay for purchases by a non-negotiable certificate ordering the transfer of the Credit to another.

"The process will be largely a matter of book-keeping.

"These dividends will be paid to the individual man or woman, married or single, and each will have full authority over same."

This proposal to pay basic dividends is coupled with the fixing for each commodity of a "Just Price" equal to cost of production plus a fair return to the producer. I quote from Mr. Aberhart's evidence before this Committee last Spring (page 18):

"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."

Joined with the other two proposals there is a rather vague one that if the credits become redundant they will be re-called by some means or other.

I wish to be sure that you realise that I am not speaking concerning the probable economic effects of any monetary reform measures, but of these proposals. Before proceeding I should like to define certain terms that I will use in my discussion.

I shall use the term "circulating media" to include all the things customarily accepted in payment for goods, services or debts, whatever these things are called: whether money, bank notes, tickets, or non-negotiable certificates; and whether they pass from hand to hand or take effect through transfer on the books of the bank or a Credit House.

I shall assume that all people in Alberta can be induced to co-operate and will customarily accept the "non-negotiable certificates ordering the transfer of credits." These non-negotiable certificates or the Credits transferred by means of them will, therefore, be "circulating media." I shall refer to them hereafter as Alberta certificates when I wish to distinguish them from other forms of circulating media.

Before proceeding, I wish to make it plain that once these Credits are entered in the books of the Credit House they will be transferred from the account of one person to that of another as payment for goods and services. They will be regarded by their owners as bank deposits. Additional issues will tend to increase the total amount outstanding. They will not disappear in some miraculous fashion. Otherwise they could not be acceptable as payment for goods and services. Nor can the Government or Credit House get possession of Credits already in circulation except by borrowing, taxing or requiring repayment from those to whom they were originally issued.

I shall use the term "exports" to indicate goods produced in Alberta and sold in markets outside Alberta, and the term "imports" for goods purchased outside Alberta and brought into the province.

In the first place, the inhabitants of Alberta cannot obtain any goods or services save what they produce for each other or obtain in the form of imports for goods and services exported from the province. Now Alberta is not a self-contained province. She specialises in the production of primary products, sells these for the most part outside her own borders, and with the proceeds imports from outside most of the goods consumed in the province. No action of Alberta can materially affect the price received in outside markets for her products; nor the price in outside markets that her citizens must pay for their imports. In other words, the introduction of the proposed measures into Alberta will not increase the amount of imports her citizens receive for their exports.

A few statistics will serve to illustrate this point. Most of the goods we buy for use are not raw materials. They have been processed in some fashion or other. Such processing is classified by the Dominion Bureau of Statistics as manufacture. As shown by the Canada Year Book for 1933 (page 214) only 22 per cent. of the value of the net production of Alberta in 1930 consisted of manufactures. A fairly large proportion even of these manufactures are exported to other provinces or countries. The corresponding figures for the other provinces in the same year were:

Nova Scotia	36%	New Brunswick ...	38%
Quebec	63%	Ontario	63%
Manitoba	48%	British Columbia ...	44%

In only two provinces was the proportion of manufactures to total product lower; in Prince Edward Island it was 10 per cent. and in Saskatchewan 20 per cent. It follows that Alberta is probably less well equipped to produce in the province the things her people consume than any of the other provinces except Prince Edward Island and Saskatchewan. And to repeat, no action which Alberta can take, constitutional or unconstitutional, will affect materially the price in terms of Dominion currency which her citizens will receive for their exports or the price in Dominion currency which they will have to pay in outside markets for the things they buy.

Moreover, Alberta's citizens are required to make large interest payments to persons or corporations outside the province. Alberta certificates will not be accepted in making such payments. Under a system of Social Credit Alberta's citizens must, as they do now, export their products and sell them for what they will bring in terms of Dominion currency and with the proceeds make their interest payments. The Alberta certificates issued to exporters to make up to them the difference between what they receive and the "Just Price" would not be acceptable outside Alberta.

Let us turn now to consider the effect of the issue of the first $10,000,000 of Alberta certificates. Let us assume that all co-operate in the plan and accept the tickets at their face value. People will buy more goods. In so far as the additional issues are used in the purchase of goods produced in Alberta, the tendency would be for purely domestic production to increase somewhat in the earlier stages of the process. A little more electric power might be used, a few more Alberta-grown vegetables purchased or a few more dwellings constructed. However, the introduction of any fundamental monetary change is accompanied by a considerable increase in doubt, fear, and uncertainty. This fear and uncertainty is apt to be more intense when the proposed change involves the alternatives of rapid depreciation of the value of the circulating media or a very great increase in taxation. This frame of mind will probably have effects at least sufficient to prevent business men from undertaking important extensions of plant or extensive increases in output even in the domestic industries.

But most of the additional goods purchased must be imported from outside the province. Those who import the goods must pay for them in Dominion currency or bank deposits. They use their Dominion currency and bank deposits to pay for the additional goods. In the meantime, while Dominion circulating media is being paid to persons outside the province in larger amounts, no larger amounts of Dominion currency will be received for Alberta's exports. The amount of Dominion circulating media in the province will diminish. This displacement of Dominion circulating media will continue so long as consumers in Alberta buy in the aggregate more goods than they would have purchased if the dividends had not been paid.

In order to maintain a "Just Price" producers may be given, in Alberta certificates, the difference between the price they receive for their exports and the "Just Price." Similarly, if importers are forced to pay higher than the "Just Price" for their imports, they may be similarly recompensed. This will tend to stimulate somewhat both imports and exports, but in addition it will increase that much more rapidly the amount of Alberta certificates in circulation in Alberta, and will drive out Dominion circulating media more rapidly.

If it should happen that those who have funds in Alberta become alarmed and decided to export them from the province, the withdrawal of Dominion circulating media from the province might be even more rapid than the issues of credit.

Unless the Alberta certificates are withdrawn by taxation or borrowing, month by month, in amounts substantially equal to the issues of certificates, Dominion circulating media will continue to be driven from the province. In a short time it will become scarce. Those who require it, in order to make payments outside the province, will bid up its price in terms of Alberta certificates, that is to say, Dominion funds will rise to a premium and Alberta certificates will sink to a discount. Those who sell goods abroad will receive more Alberta credit dollars than before, but it will require more credit dollars to purchase goods from outside Alberta. If additional credit is issued to compensate those who have to pay more than the "Just Price" for imported goods, this will merely hasten the process of depreciation. Prices received for exported goods and prices paid for imported goods will tend to rise, that is to say, the value or purchasing power of Alberta certificates will fall. If the province continues to issue more and more Alberta certificates, without borrowing or taxing, they will eventually become worthless, and the people of the province will be left without any acceptable circulating medium.

I am aware that in periods of prosperity economists are often regarded as idealistic weavers of fine spun theories, and that in depression periods they are regarded as ardent defenders of the status quo. The method of experiment is seldom open to the economist, but this principle has been actually demonstrated time and again: whenever a government greatly and cumulatively increases its issues of circulating media without taking appropriate steps to recall it, the value of the circulating media falls, and if the policy is continued the currency eventually becomes worthless. This happened to the issues of the American States during the Revolutionary War; it happened to the currency of the Southern States during the Civil War; it happened to the French currency during the French Revolution, and the German currency after the last war. Wherever it has happened, trade has become completely disorganised and production has come almost to a standstill. The same result has occurred no matter what the circulating medium was called and no matter for what purpose it was issued. It has happened no matter what the actual or supposed backing of the currency; no matter whether the original basis of its acceptance was that it was backed by land, or the productive powers of the State, or the promise of a government to pay, or by nothing at all. This result will follow issues of Alberta certificates by the Alberta government unless such credit is withdrawn by taxation or borrowing as rapidly as it is issued.

But, it may be argued, the price of each commodity will be held down to an unchanging figure. In that case, as issues are increased, they will eventually exceed the amount of goods offered at the fixed prices. As further dividends are paid, the certificates will become worthless unless withdrawn as rapidly as they are issued.

Several methods of withdrawing the Alberta certificate issues to prevent redundancy have been proposed. When he appeared before this committee last year, Mr. Aberhart first proposed that the credit which remained in the accounts of individuals should either be confiscated or used in the purchase of Alberta government bonds bearing interest at 4 per cent.; on page 18 of the published evidence before this committee last spring Mr. Aberhart is reported as saying:

"The consumer must use up all his 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."

On page 52 I am quoted as asking Mr. Aberhart if the bonds would be non-interest bearing, and his answer is:

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

On page 23, replying to a question by Mr. McCool concerning the way in which the basic dividend certificates get back to the government, he is reported as saying in part:

"We would 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 that man to pay sufficient to cover up the amount you require. He would have to give in to the state that credit he has accumulated. He would give back to the state his share of that amount to give them a chance to get it back again.

"Q. That is through taxation.

"A. Yes."

On page 66:

"My point is, there is no need of taxation whatever to take back the basic dividend."

The position seems to be that if the amount of circulating media within the province became redundant, the government would have to obtain possession of the redundant issues in some fashion or other. I have shown that unless the issues of credit certificates paid out as dividends are withdrawn over a moderate period of time step by step as issued, the issues will become redundant and depreciate, and if the policy is continued will become worthless.

Now it is to be remembered that these redundant issues are in the possession of people who have taken them in good faith in exchange for goods or services. The government can secure them only by borrowing or requiring payment in some fashion. If the government borrows at the rate of $120,000,000 a year, the provincial debt and the ordinary burden of taxation will be increased very rapidly. The alternative is that the government collect in taxes $10,000,000 a month on the average (i.e., $120,000,000 in taxes, licenses, or fees), in addition to the ordinary taxes. In that case the burden of debt need not be increased, and the Alberta certificates need not depreciate and eventually become worthless.

I shall consider the effect if additional taxes of $120,000,000 a year collected on all goods and services sold and included in the price charged the purchaser, as is done in the case of the gasoline tax. For expenditures other than the basic dividend, additional taxes would have to be collected, as at present.

Let us consider what this additional tax of $120,000,000 would mean to the taxpayers of Alberta. The aggregate net production of Alberta in 1930 is given in the Canada Year Book, 1933 (page 213), was approximately $185,000,000. I use this figure rather than that for gross production that is used in the Social Credit "Study Group Studies" for reasons given in the Canada Year Book (page 204):

"The values of products are shown under two headings, namely, 'gross' and 'net.' 'Gross' production shows the total value of all the individual commodities produced under a particular heading. 'Net' production represents an attempt to eliminate the value of materials consumed in the productive process. For purposes of ordinary economic discussion, the net figures should be used in preference to the gross, because of the large amount of duplication which the latter included on account of the necessity of making the individual items self-contained."

The people of Alberta, then, produced an amount of goods and services which they sold for $185,000,000. To reach a figure for the net income of Alberta we would have to add to this figure receipts of interest and principal by Albertans from investments elsewhere, and we would have to subtract from it interest payments and principal made to individuals and corporations outside the province. These figures are not available. If we neglect the net interest payments made to non-residents of Alberta, however, we may take the figure of $185,000,000 to represent the aggregate income of Albertans in 1930. I have used the 1930 figure for illustration because it is the latest published in the Canada Year Book. The figure for later years would be somewhat less. However, let us take the figure of $180,000,000 as an approximation.

We have seen that the issues of Social Credit would not increase the prices received for our products in outside markets. The distribution of the dividend, then, would not increase the real incomes of Alberta's inhabitants. But it would increase their money incomes by approximately $120,000,000, giving them a total income of $300,000,000. Of this total income $120,000,000, or two-fifths, would be required to pay the taxes involved in retiring the dividend issues. Let us suppose that each individual uses the whole of his income to buy commodities and services. He would be taxed, then, in the price of the goods he buys, an amount equal to two-fifths of his total income, for example, an individual who without the dividend would have received $450 would receive an additional $300 as a dividend, making in all $750. There would be included in the price of things he bought a tax amounting to two-fifths of his income, that is to say, $300. Such an individual would be just as well off and no better off than if he had not been paid this dividend and had not been taxed. An individual who without the social dividend would have received $900, would receive a dividend of $300, making a total income of $1,200. He would pay two-fifths of this income in taxes, that is to say, $480. His net income would be diminished by $180, a rather heavy tax on a $900 income. An individual who without the dividend would have received less than $450 would have his income increased by the plan, thus if his income without the dividend had been zero, he would receive a $300 income and in purchasing commodities would pay two-fifths, that is to say, $120, leaving him a net income of $180. Thus incomes higher than $450 a year would be lowered toward $450, and incomes less than $450 would be raised toward $450. Each individual may see, then, by a simple computation, how his income would be affected by the issue of the dividend and the additional taxes involved in its issue.

Such taxation and payment may be desirable or undesirable. It is not my function to answer that question. Nor is it my place, I think, to consider whether an increase in taxation of such large proportions is administratively and politically feasible.

I wish, however, to repeat a statement which I made two or three years ago before this committee. A clear distinction should be made between financing a government and regulating the amount of circulating media to correspond with trade requirements. For the purpose of appropriate currency regulation all governments, whether Dominion, provincial or municipal, are to be regarded simply as a number of important concerns. Since production in Canada is by no means wholly performed by governments or governmental agencies, the business of the country must be viewed as a whole. All producers and consumers should be given equal consideration.

Moreover, to finance a government by the direct issue of circulating media and to control the amount of circulating media by taxation reverses the functions of institutions which historically have become more or less adapted to their customary functions. Taxing systems are designed to finance the government. Taxation is a slow and clumsy instrument in the control of a monetary system. Central banks have much more effective and delicate instruments in their control of the discount rate and open market operations. Admittedly, the Bank of Canada is a new and untried institution, and the officers of the bank will almost surely make some mistakes before they learn to operate it with full success. But that would occur also in the initial operations of any untried institution such as the one I have been discussing.

One more point and I shall be finished. If all business men are guaranteed costs plus a fair return on their product and can receive no more, then there will be incentive offered them to vary the amounts of their various products or to change the type of products to suit changes in the tastes of consumers. They will have no incentive to change their methods of production, when new and improved methods are developed. And there will be no incentive to attempt to discover such methods. If, then, the government removes the fear of loss or the hope of gain and wishes, nevertheless, to insure that business men will use the resources of the province to produce what consumers want by efficient methods, it will be forced to determine what each producer shall produce and how much and what production methods he should use. Again, it is not my duty to evaluate this result. I can merely point it out.

Alberta Government.

OFFICIAL REPORTS ON SOCIAL CREDIT.

The Constitutionality and Economic Aspects of Social Credit. Evidence of Dean Weir, Prof. Elliott before the Agricultural Committee of the Alberta Legislature, Session, 1935. Published by Order of the Legislative Assembly of Alberta, 1935. W. D. McLean, King's Printer, Edmonton, Alberta, Canada.

Possibilities of the Application of Social Credit Principles to the Province of Alberta. First Interim Report by Major C. H. Douglas, together with Correspondence between Premier R. G. Reid and Major Douglas, and between Hon. J. F. Lymburn, Attorney-General, and Major Douglas. Submitted to the Premier and Legislative Council of Alberta, May 23, 1935. Published by W. D. McLean, King's Printer, Edmonton, Alberta, Canada.

Man and the Machine.

"There is nothing necessarily dignified about manual labour, and most of it is absolutely degrading. It is mentally and morally injurious to man to do anything in which he does not find pleasure, and many forms of labour are quite pleasureless activities, and should be regarded as such. To sweep a slushy crossing for eight hours a day when the east wind is blowing is a disgusting occupation. To sweep it with mental, moral or physical dignity seems to me to be impossible. To sweep it with joy would be appalling. Man is made for something better than disturbing dirt. All work of that kind should be done by a machine.

"And I have no doubt that it will be so. Up to the present man has been, to a certain extent, the slave of machinery, and there is something tragic in the fact that as soon as man had invented a machine to do his work he began to starve. . . One man owns a machine which does the work of five hundred men. Five hundred men are, in consequence, thrown out of employment, and, having no work to do, become hungry and take to thieving. The one man secures the produce of the machine and keeps it, and has five hundred times as much as he should have, and probably, which is of much more importance, a great deal more than he really wants. . . . All unintellectual labour, all monotonous, dull labour, all labour that deals with dreadful things, and involves unpleasant conditions, must be done by machinery. Machinery must work for us in coal mines, and do all sanitary services, and be the stoker of steamers, and clean the streets, and run messages on wet days, and do anything that is tedious or distressing. At present machinery competes against man. Under proper conditions machinery will serve man. There is no doubt at all that this is the future of machinery; and just as trees grow while the country gentleman is asleep, so, while humanity will be amusing itself, or enjoying cultivated leisure—which, and not labour, is the aim of man—or making beautiful things, or reading beautiful things, or simply contemplating the world with admiration and delight, machinery will be doing all the necessary unpleasant work. The fact is that civilisation requires slaves. . . unless there are slaves to do the ugly, horrible, uninteresting work, culture and contemplation become almost impossible. Human slavery is wrong, insecure, and demoralising. On mechanical slavery, on the slavery of the machine, the future of the world depends."—OSCAR WILDE (*The Soul of Man*).

Lawrence on Guerilla Fighting.

The Arab war should react against this [discipline and its concomitants] and be simple and individual. Every enrolled man should serve in the line of battle and be self-contained there. The efficiency of our forces was the personal efficiency of the single man. It seemed to me that, in our articulated war, the sum yielded by single men would at least equal the product of a compound system of the same strength.

In practice we should not employ in the firing-line the great numbers which a simple system put theoretically at our disposal, lest our attack (as contrasted with our threat) became too extended. The moral strain of isolated fighting made "simple" war very hard upon the soldier, exacting from him special initiative, endurance, enthusiasm. Irregular warfare was far more intellectual than a bayonet charge, far more exhausting than service in the comfortable, imitative obedience of an ordered army. Guerillas must be allowed liberal work room: in irregular war, of two men together, one was being wasted. Our ideal should be to make our battle a series of single combats, our ranks a happy alliance of agile commanders-in-chief.—Lawrence (*Seven Pillars of Wisdom*, p. 339).

Social Credit Conference.

West Riding Douglas Social Credit Association.

A conference will be held at Harlow Manor, Harrogate, on the week-end commencing November 1, 1935. Particulars of the terms for the full or part period of the conference can be obtained from the Secretary, Mrs. J. A. McLean, 4, Rock Terrace, Lightcliffe, Halifax, Yorks.

Forthcoming Meetings.

Green Shirt Movement for Social Credit.

Wednesday, October 2, at 8 p.m.—John Hargrave, Founder and Leader. Lecture at National Headquarters, 44, Little Britain, London, E.C.1. "The Party of the People's Credit."

Wednesday, October 9, at 8 p.m.—Speakers' Class, National Headquarters, 44, Little Britain, London, E.C.1.

Sunday, October 13.—Salem (Leeds) Congregational Church. 3 p.m.—John Hargrave: "Is Poverty amidst Plenty the Will of God?"

Same date: Mass Meeting. Rialto Cinema, Leeds, 8 p.m. —John Hargrave: "Your Part in the Fight Against Poverty and War."

London Social Credit Club.

Blewcoat Room, Caxton-street, S.W.

September 20th, 7.45 p.m.—Speakers' Night, under the direction of Mr. P. J. Hand.

September 27th, 7.45 p.m.—A night with the "New English Weekly." Mr. Mairet, Editor of the "New English Weekly" and Mr. Will Dyson.

Ashford, Kent.

Tuesday, September 24, at 8 p.m.—Public meeting at Corn Exchange, Ashford, Kent. Speaker: Mr. H. Norman Smith. Chairman: Mr. A. J. Southam, M.B.E., J.P. Subject: "Social Credit." The handbill calling the meeting refers to the "Amazing Victory in Alberta," and announces explanation of the Social Credit case. Admission free.

The New Age Club.

[Open to visitors on Wednesdays from 6 to 9 p.m. at the Lincoln's Inn Restaurant (downstairs), 305, High Holborn, W.C. (south side), opposite the First Avenue Hotel and near to Chancery-lane and Holborn tube stations.]

A + B in the "New York Times."

The *New York Times* of September 2 publishes a leading article entitled "Social Credit in Utopia." The writer describes the A + B Theorem, and explodes it in a few lines. Now nudge yourselves to listen in to the explosion.

> The division of production costs into "A" and "B" payments is purely arbitrary. It does not indicate a "deficiency" of purchasing power. For the total product of industry does not consist solely of finished retail goods to be bought by ultimate consumers, but also of capital goods, machines, factories, raw materials, freight transportation, and so on, which are bought from "organisations." Ultimate consumers, therefore, do not need all the purchasing power there is. It would, indeed, be fatal to the economic system if they had it. If we look at the problem from another side, again, we see that the "B" payments must eventually become "A" payments; for what the manufacturer pays the raw material maker must be paid out by the latter in turn to *his* workers and stockholders, and so on down the line.

The writer had better see to the fuse. If it would be "fatal" for us to have all the purchasing power, and if, as he declares we *do* get it all ("B" becomes "A") although we don't "need" it all, this poor explosive compound may be forgiven for not knowing which way to go off.

Publications Received

Why Not End Poverty? By F. H. Drinkwater. Burns, Oates and Washbourne. 3s. 6d. net.

A Practical Rʻmedy For Australia's Troubles. By C. C. Armitage. Published by author, 33, Mosman Street, Sydney, Australia. 1s.

The Problem of Credit Policy. By E. F. M. Durbin, B.A. Chapman and Hall. 10s. 6d.

Social Credit Manual—Social Credit as applied to the Province of Alberta. By Wm. Aberhart, B.A. Published (June, 1935) by author at 516, 8th Avenue West, Calgary, Alberta. 64 pp. No price stated. Presumably this booklet was issued as election literature.

NOTICE.

All communications requiring the Editor's attention should be addressed directly to him as follows:

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