

# THE NEW AGE

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## Alberta and the Royal Commission.

The *Edmonton Journal* of August 26 reports that no action is to be taken immediately to enforce payment of the bank-licence fees. Under the original Act (subsequently disallowed) the appointed day for collecting the fees was August 27. It is not clear whether, on the re-passing of the Act (after disallowance) this appointed day was adhered to, postponed, or dropped. According to the report no official statement was forthcoming from the Social Credit Board, owing, it says, to the absence of the Chairman, Mr. G. L. MacLachlan; but it was unofficially indicated that "enforcement of the legislation" was "standing over for the time being until a definite course had been decided."

What that course might be was probably indicated a week earlier in the *Calgary Daily Herald* (August 19) by the publication of a cable from its London Correspondent stating that "in trustworthy 'social credit' circles" it was reported that Major Douglas "is advising that Premier Aberhart's next step should be the removal of the Mounted Police from Alberta, and the organisation of a provincial police force." Readers will recall that, a week earlier, namely on August 12, we discussed the position of the police force in these columns (p. 74, col. 2, par. 1) stating that it was paid by the Dominion Government, and pointing out the anomalous situation that would develop in a clash between Alberta and the Dominion. According to the *Calgary Daily Herald* the Dominion charges Alberta \$175,000 a year for the service (plus \$50,000 for the transportation and maintenance of prisoners) under an agreement first entered into by the Government in office in 1930. This agreement was renewed by Mr. Aberhart in 1935. Last June certain private members of the Ministerialist party sought to get it cancelled, but were overruled. It appeared that twelve months' notice on either side had to be given to cancel it.

The position appears to be that in strict law Mr. Aberhart cannot "remove" the police from Alberta for at least another year. On the other hand it is probable that the agreement does not (a) oblige him to use the service, or (b) forbid him to recruit a service of his own. For when the agreement was first drafted the Dominion Government's advisers would take it for granted that the Alberta Government would use the service; also that, by

reason of having to pay for it, they would not be able to afford to pay another of their own. Further, there was no reason, in 1930, for contemplating the Alberta Government's wishing to modify the agreement in any way at all except, perhaps, in respect of the price they had to pay to the Dominion.

To-day, however, the necessity for a police force under provincial control is becoming obvious. And the problem of paying such a force is now popularly felt not to be the absolutely immovable obstacle that it appeared to be before the election of 1935. People may not have a clear picture of how the money can be raised for the purpose, but they have a sort of sensation that it can be raised somehow, even over and above the \$175,000 due under the existing agreement. But were this not the case, there is no reason why the Government should not form a voluntary police force. We had such a force here in England in 1926 to help keep the striking labour community in order; and this is the precedent for a force in Alberta to keep the striking banking community in order. The man at the back of the hall who shouted to Mr. Aberhart: "Give us guns" would probably be content with an armband to be going on with. Rebel turned constable!

In the meantime the deadlock over the bank licence fees remains. According to the report in the *Edmonton Journal*, above referred to, the local bank managers are saying that they have no orders from their head offices about payment. In the opinion of one of them: "The licensing act has been disallowed and is no longer an Alberta statute: naturally we will not apply for licences." And to the same reason another of them ascribes the silence of the head offices on the matter. Evidently the bankers' policy is: Wait and see.

Premier Aberhart is apparently in a temporary dilemma. He cannot enforce payment of licence fees without a provincial police force; and he cannot finance a police force without collecting licence fees. (We are here disregarding the "proceeds" of the moratorium, and are assuming that the police force would have to be paid.) If this is the case it accounts for the Social Credit Board's being unwilling to announce any later appointed day for enforcement. Yet, until such day is announced, the re-passing of the disallowed Bank Acts is nothing more than a formal re-affirmation by Mr. Aberhart of his right to collect fees and install directors. In fact the whole of

the measures enacted to date have been merely affirmations of right, with the single exception of the moratorium.

It may be that Major Douglas's advice contemplates the setting aside of the police-agreement without the notice provided in the contract. In that case the money now being paid to the Dominion Government would theoretically become available for a provincial police force. But whether practically so would depend on whether this money can be virtually intercepted by the Dominion Government (perhaps it is already intercepted) through the process of deducting an equivalent sum from grants receivable by the Alberta Government. Such a process, too, might conceivably be brought into operation to counteract any savings effected by the moratorium. However, reprisals that are technically feasible and legally permissible are not always politically expedient. For this reason Premier Aberhart is right in provoking reprisals by resisting demands for money from outside Alberta while preparing to enforce demands for money inside Alberta. He is thereby challenging the principle of financial centralism, the assumed necessity for which has been exploded by the Social Credit Analysis.

Let us now leave this narrow issue simmering while we have a look at what is being cooked up elsewhere. On August 15 Premier King announced the names of persons who are to serve on the Royal Commission appointed to "investigate the economic and financial basis of confederation in the light of social and economic developments in the last 70 years." (We quote from the *Edmonton Journal* of August 16.) Now, when Hargrave reached Edmonton (December 8, 1936) Premier Aberhart was in Ottawa, where he was asking for such a Commission to be appointed. Premier Aberhart was also asking, at about that time, for the inquiry (subsequently conducted during March last) by the Bank of Canada into the finances of Alberta. Readers will note from the dates given that the responsibility for these policies belongs to Premier Aberhart and his Cabinet, who were not at that time taking advice from outside Social-Credit sources. Hargrave, both in Edmonton and, later, in Ottawa, did his utmost to explain where propaganda in favour of the Commission might lead, namely to the appointment of Special Commissioners to take over the administration of Alberta on the lines of the Newfoundland ramp.

Taking, let us say, June 30 last as the date on which the Aberhart Government became the Douglas-Aberhart Government, it may be taken for granted that the Government, as now advised, have no use for the Commission, but have been too late to prevent its functioning. The best they could do was to safeguard their position by scrutinizing the proposed personnel, the date of appointment, and so on. This they have done. In *The Times* of September 8 there is a reference to a letter sent by Premier King to Premier Aberhart concerning a protest entered by the latter against the personnel and the date.

Here are the names of the Commissioners:  
 Hon. Newton W. Howell, chief justice of Ontario.  
 Dr. John W. Daffoe, president and editor-in-chief of the *Winnipeg Free Press*.  
 Hon. Thibaudeau Rinfret, justice of the supreme court of Canada, Ottawa.  
 R. A. Mackay, professor of government at Dalhousie University, Halifax.  
 H. F. Angus, professor of economics at the University of British Columbia, Vancouver.

Work on the Commission will begin at an early date. The terms of reference are very wide—so wide, in fact, as to afford the Money Monopoly a banker's dozen of alibis from any scene of hold-up into which these official sleuths may poke their noses. "When a crime is discovered, arrest everybody in sight and hold him till

something comes out." Such is the system of detection imputed to the New York police by some humorous writer. It certainly holds for these Commissioners. They will find two classes of people "in sight"—those who want something, and those who don't want them to have it. The common characteristic of both crowds will be that they can prove hardship to themselves if they do not get their own way. They will be "in sight" precisely because they will be eager to argue their respective causes. And as the causes will be mutually irreconcilable, naturally the Commissioners will have to recommend their being placed under arrest, presumably until one or other of them gives way or hits on a practical formula of reconciliation. The Rt. Hon. Winston Churchill once said that the proof of the soundness of a financial policy consisted in the unpleasantness of its consequences: and we may safely bet that these Commissioners are under a parallel impression in regard to constitutional relationships, holding that the soundness of any legal principle is proved and measured by the extent of its irksomeness in application. The ideal law is one which draws tears in equal quantity from the eyes of every citizen.

This Royal Commission is a strategic device of the bankers, describable as encirclement. It is intended to bring about a state of public opinion throughout Canada favouring the postponement of shock tactics by the Alberta Government. It virtually says to Alberta: "Legislate by all means, but do not fix an 'appointed day'—thus adapting the formula of our radio friend John Hilton: 'Discuss Social Credit by all means, but don't do anything about it.'" In other words: "Wait until the Commission has reported." Yes, and while the Commissioners are investigating, will the bankers wait for the Report? They will not. Nobody will notice that they have gone on ahead because nobody notices where they are now.

They will take their line from Aesop's fable about the wind, the sun and the traveller's cloak. Their appointment of this Commission is a piece of buck-passing. It is a silent signal to the Dominion Government to ease off trying to blow Aberhart's Social-Credit cloak off his body. Furthermore, it provides Ottawa with a safe-facings excuse for not picking up the gauntlet that Aberhart has thrown down. Shortly the Constitutional wind will drop and the Financial sun will rise. The traveller's cloak, which could not be blown off by draughts, will be baked off by overdrafts. That is how the bankers may be figuring it out. And what is more, there may be some astute persons pretending to back Premier Aberhart who are figuring out the matter in the same way. In plain language, the bankers may ease the credit situation in Alberta to a degree where the disposition on the part of the Government and people to have a rough house will be effectively weakened. They can do this directly by tempering their loan-policy to the shorn Albertan sheep. They can do it indirectly by instigating big business interests to develop their properties in the Province. Lastly they can do it (through international arrangements) by easing the credit situation for the Dominion Government itself.

There are forecasts in the *Edmonton Journal* of August 16 that the Commission will consider to what extent the Provinces need to have "new sources of revenue" allotted to them or their "burdens reduced." It is, indeed, very probable that the Commission will make this its first business, with the view of hurrying out some interim recommendations to which the Dominion Government could give legislative effect. If so, financial easements would be diffused throughout the Provinces (for it would be invidious and therefore inexpedient to show favouritism to Alberta) and the effect would be to put the people and their Governments in the humour to pay the price of these easements when announced in the final Report. This price might not be

a financial price—at least not directly or immediately. It might take the form of a reconstructed Constitution framed so as to establish more clearly the principle of financial centralism, but so as to disguise the source of control. It might invest the Dominion Government with extended administrative powers which the innocent and (ex hypothesi) good-humoured people would mistake for absolute sovereign powers. In that event the people would have sold their birthright for a mess of pottage.

A glance at the names and qualifications of the Commissioners shows that the fundamental issue is to be dodged. They are only competent to understand matters irrelevant to that issue. They are all right for historical research into what has happened and when, but useless for scientific research into why it happened and how. And, in fact, it would not surprise us if they ruled out the Social-Credit Analysis as beyond their field of inquiry. Not that this would matter, because no Social-Credit technician would want to waste time answering their "yes-but" questions. Again, the very appointment of a Commission at all constitutes a denial that the Social-Credit Analysis is sound. For if it is sound there is no need for any more inquiring of any kind into politico-economic problems. Of course we do not deny the bankers the right to question its soundness, but we demand, in that case, that they say why they do so, and say it before a tribunal competent to weigh their facts and conclusions against those of their challengers.

The first article of Major Douglas's that ever appeared in *THE NEW AGE* (January 2, 1919) was entitled: "A Mechanical View of Economics." Not a psychological nor a moral view. We forget what he wrote, but doubtless it dealt with the automatic confiscation of purchasing power arising from the dissynchronisation of bank-loan and production-process periodicities. The cause being mechanical the remedy is mechanical. Either the periodicities must be synchronised or the dissynchronisation compensated for. There is no room here for the "chief justice," or the "editor-in-chief," or the "professor of economics" (or "economies" as our friend the compositor sometimes sets it, with greater insight than he is conscious of), or—but here we pause; what sort of a porcupine is a "professor of government"? Anyhow we can take it that he fits in with the rest or he wouldn't be there.

No; the problem is not what those people are accustomed to tinker at, namely to constrain human nature to tolerance of the consequences of a mechanical error, but just the reverse, namely to correct the error and thereby remove the necessity for constraint. The vital importance of this truth will be realised by everyone who recognises that the essence of law as we now know it—Constitutional and otherwise—is Constraint. Of course the element of constraint must be present, but it is now visited more and more on the many in the interests of the few, whereas, if democracy means anything, it ought to be the other way round. The only real problem of human behaviour that exists is the inhuman behaviour of the bankers themselves. A commission of psychologists to inquire into their mental constitution would be much more to the point than a commission of publicists to inquire what alterations in the law will make people queue up quiet for wot ain't there!

And now to return to Alberta. The Douglas-Aberhart political forces may find themselves unable to meet the bankers' encirclement policy with a counter-encirclement policy. But that need not necessarily mean failure. In fact, their being encircled would give them the advantage of the inner lines to be exploited as Germany did it in the Great War. If our picture is correct that the bankers propose to strip Aberhart by kindness—dropping credits and leaflets among his forces as the Allies did to the Ger-

mans—the only answer is to act ahead of them. Aberhart's "inner-lines" advantage lies in his power to act more quickly than the enemy at given points. This is seen by the considerable array of measures that he has enacted in such a comparatively short time. But, as Hargrave told the Ministerialist Party at the meeting on January 12: "A government that cannot enforce its laws does not exist—it is not a government." Here we come round again to the test—the appointed day of enforcement. It might be that on the appointed day enforcement would be successfully resisted by the bankers. But that is no reason for not making the attempt. There is nothing to prevent collectors going round knocking at the doors of the banks and presenting Demand Notes for the licence-fees. One collector calling on one bank would do. Presumably the answer would be that payment was going to be withheld until the legality of the Dominion's act of disallowance had been confirmed or otherwise by some authority, e.g. the Royal Commission elicited. It would start something. The Inland Revenue in this country collects millions of pounds every year to which it is ultimately found not to be entitled. That is to say it exacts the payments first, and minds them while their legality is being ascertained. What a department of a Government can do here surely a Government in Alberta is entitled to do. Premier Aberhart could insist that the law must be presumed to be valid until it is shown to be invalid. If payment were still refused, the next logical step would be the attempt to compel payment by order of some court. Here again the court might refuse to make the order; or, if it granted the order, the respondent would appeal to a higher court. It is true that the Douglas-Aberhart legislation prohibits the Government's consent, but naturally if the Government invoked the authority of a court it would have to consent to the appeal, unless, indeed, it followed the English precedent of taking away the discretion of the courts and vesting it in such authorities as the Postmaster General and the Minister of Health. In the latter case the judgment of the Albertan court would be a formality, and would go in favour of the Government.

Upon continued refusal to pay, the next logical step would be to arrest and imprison the banker. This brings the police back into the picture, not to speak of governors and wardens of prisons. Would they make the arrest? If they refused, would that constitute a breach of contract releasing the Albertan Government from the obligation to pay for the services?

We need not pursue these speculative matters any further: we are making the point that the Government should carry out these logical steps promptly. The great thing, next to getting hold of the money, is to force identifiable individuals to take *personal responsibility* for refusing to pay. For then the Government could turn the flouting of the law to their own advantage, pointing out that *these particular individuals* (not collective groups with an alibi such as "the bankers") being resident in Alberta, and enjoying Albertan hospitality, were obstructing the fulfilment of the mandate of the people.

Needless to say, the newspapers, avid as they are for sensational stories (and the most sensational are always stories of action) would meanwhile have splashed news of the aforesaid "logical steps" round the world. Action, or attempted action, is dynamic because it is dramatic. Action prompts action because it is advertised, and the advertising puts ideas into people's heads. And for that reason we say that the arrest of one banker, or even the attempt to arrest him, would set alight a lot of things whose inflammability nobody suspects.

#### NOTICE.

All communications requiring the Editor's attention should be addressed direct to him as follows:  
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## Rational Rambles

By John Grimm.

Dodie Smith has brought home a quintuple. In other words she has written five plays in a row—all successes. According to a Press interviewer this is a record in play-writing, including male playwrights. She told him how she came to start at the game. She was once an actress, but was no great shakes at acting. Furthermore, she found that even with a fair slice of luck she wouldn't be able to earn money for more than six months in a year, whereas, as she remarked to him: "I had to eat every day." So she comes off the stage and gets a job in commerce. Her meals now being assured, she is able to turn the spare part of her attention to finding out her true vocation. The result is as just described—an unbroken run of plays, each enjoying a long run.

She is a level-headed girl. It is only just recently that she has decided to abandon her commercial task for whole-time playwriting. It is a fair risk to make this change. But it is a risk, nevertheless. The future will measure it. It resides in the change-over from discontinuous to continuous absorption in the chosen vocation. Alternation in mental preoccupation has dynamic properties which must not be underrated.

To take an analogy from Central Europe I fancy that if Stalin, Mussolini, and Hitler were to leave the stage and do an honest job of work outside the political system for a time they would confer a benefit on themselves, not to speak of their fellow-creatures. The trouble is that these actors, for all their incompetence, have plenty to eat every day, and suffer no constraint by "having to eat" every day. The reason is, of course, that the Central European stage is heavily subsidised by financiers who prescribe and impose the repertoire; whereas in the case of the stage proper the public can eliminate bad actors and bad plays through the box-office ballot.

Damon Runyon has unconsciously hit off the humbug of European diplomatic alarms and excursions in one of his humorous stories appearing in *The Evening Standard*. Consider this short sentence:

"And everybody was highly indignant that nobody had confidence in anybody else."

The more you say this over to yourself the more it grows on you. It does not need any context. You might say that a context would spoil it. But it does not. For the "everybody" refers to a party of gangsters who were in an eating-shop where they had adjourned after holding a meeting somewhere else to settle their differences and substitute co-operation for competition in the business of redistributing the wealth possessed by honest citizens. While eating they were surprised by the arrival of the police who had located them and had come to search them for arms. In the room with them happened to be an honest guy—a bit of a sap—and, one after the other, they hurriedly persuaded him to conceal their weapons about his person before the police arrived upstairs. The search proved abortive: the police knew whom they were after, and didn't trouble to search the sap. The rest of the story lies outside the present frame of reference, with the exception of the following circumstance. It appears that when the "peace meeting" of the gangsters had been arranged all parties had agreed to attend without arms as a symbol and guarantee of faith in each other. Thus, as you will now see, the forced disclosure of the fact that every party had broken the agreement unknown to the others would naturally cause everybody to be highly indignant that nobody had confidence in anybody else!

Readers won't need prompting how to relate this situation to the forgatherings of diplomats all round and about Europe at various times since the Great War. Perhaps it fits best of all their latest stunt of patrolling the Mediterranean to put down what they call "piracy." A pact of gangsters to put down independent competition, each of them suspecting connivance at the competition on the part of some other of their number.

What a treat if these, as well as the Fascist and Communist dictators, would leave the stage and find a job. They might then develop into statesmen worthy of the name.

Sir Richard Gregory has got it in the neck from *The Observer* for suggesting that scientists can teach statesmen their business. That journal observes that while scientific knowledge is useful it is not for the scientists to say how it should be applied. A designer of a locomotive has no claim to say where the train is to go. Very good. But *The Observer* does not explain the qualifications of those people who do say where the trains are to go. Mr. Garvin, for example, has had a lot to say on the subject in his time. But one imagines that the average engineer or chemist would speak better wisdom with more pertinence and much less garrulosity. At least the scientist follows Lewis Carroll's dictum: "Take care of the sense and the sounds will take care of themselves."

## Consumer-Income.

By A. W. Coleman.

A recent letter by a critic, under the title of "Capital and Prices," may perhaps serve as a timely warning to Social Creditors against engaging in discussion with anyone who defines investors as non-consumers.

From one point of view the definition may be regarded as a truism, but the Social Credit analysis is concerned with the rate of generation of total consumer-income (no matter how it may be spent) in comparison with the rate of generation of total prices. Anyone who elects to split up total consumer-income into different categories, and deal with sections of it, can prove anything he chooses, but he is not dealing with the Social Credit case.

When any business concern purchases new fixed capital assets, it is bound to charge the original or first cost of these against total consumer-income.

It can use three methods, singly, or in combination:—

(1) It can call for subscriptions from shareholders and defray the costs outright. In this case, consumer-income will pay the costs by being invested.

(2) It can defray the costs from existing reserve funds accumulated out of gross profits. In this case, consumer-income will have paid the cost via prices charged over a past period.

(3) It can defray the costs by borrowing the money and repaying the sum, in instalments, out of gross profits. In this case, consumer-income will pay the costs via prices charged over a future period.

But, in any case, sooner or later, total consumer-income pays first capital costs. After that, consumer-income is again charged, in prices, with a sum equal in amount to the first capital costs, via depreciation charges extending over the life of the fixed assets; and these charges are only partially distributed as consumer-income when replacements (or temporary investments) take place.

The critic's statement that the final price of any product is the sum of all the A payments made in respect of it, throughout the period of its production, is incorrect. The final price is the sum of all the A payments plus the sum of all the gross profits made at every stage.

The gross profits comprise net profits and sums placed to reserve. Allowing that net profits are returned to the stream of total consumer-income (after a time-lag), the critic has to show that reserve funds are distributed, in the form of consumer-income, for replacement or extension of capital assets as fast as they are abstracted from consumer-income in the form of gross profits.

This he cannot do. It is not possible in a normal expanding economy. It could happen, in theory, in the hypothetical, uniform-velocity economy briefly sketched on page 24 of *The New and the Old Economics*, but not in the actual, accelerating economy in which we have the misfortune to live.