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Strategics In Alberta.

References to the Albertan situation are to be found in *The Times* of August 18, 23, 25 and 26. (Later references will be noted here in due course.) The issue of August 25 is the most important, as it contains a special article describing how the present revival of action for Social Credit came about. The writer discusses the parts played by (in time order) Halliday Thompson, Hargrave, Douglas, Powell and Byrne. His story nominally begins at the date of Thompson's arrival, but actually takes form as from the date of Hargrave's visit last December.

* * *

Before we review what is said let us re-state the situation as Hargrave found it. Opinions (or impressions) fell under the following categorical heads:—

- A.—That Social Credit was not being put into operation, and ought to be.
 - B.—That Social Credit had been partly, if not wholly, put in through the Government's earlier measures (stamp-scrip, etc., etc.).
 - C.—That Social Credit was not technically feasible in Alberta alone.
 - D.—That Social Credit was not constitutionally feasible in Alberta alone.
 - E.—That the Social Credit Theorem was technically unsound, and therefore not feasible anywhere at all.
 - F.—That attempts to apply the principles of the Theorem would have mischievous economic consequences, and therefore should be vetoed by the Dominion Government—nipped in the provincial bud lest they spill the seed of disaster elsewhere.
- In the centre of this vortex of confusion and contradiction were Aberhart and his Cabinet.

* * *

On examination it will be seen that all the groupings here indicated, with the exception of "B" and "F," were potentially open to be persuaded to unite on a policy of pressing Aberhart to introduce authentic Social Credit legislation. And group "B" could also be so persuaded provided that they could be made to understand that they had been mistaken in their impression. Further, group "F" might co-operate temporarily for buck-passing purposes—i.e. to help precipitate an occasion for Ottawa to quash the whole show.

* * *

So Hargrave's policy was to deal with group B first—by making it clear that Aberhart had *not* put in Social Credit, and, moreover, had not even formally committed himself and colleagues to recognition of the basic principles of Social Credit. Having done that he then adopted the strategy of getting groups "A" to "E" to "surround" the Government, or lay siege to it. All

would want the Government to take action—some because they expected to see it succeed, some because they expected to see it fail, and the rest because they expected Ottawa to intervene before success or failure could be proven by the experiment. Hargrave, by stimulating group "A" to lead a revolt, started a process which he calculated would culminate in the complete encirclement of the Government as just described. And the encirclement duly took place. The six groups joined hands and formed a ring round Aberhart.

Poor Mary sits a-weeping,
A-weeping, a-weeping,
Poor Mary sits a-weeping
On a bright summer's day.

Stand up and choose your lover,
Your lover, your lover;
Stand up and choose your lover
On a bright summer's day.

"Mary" had no scope for choice. She had to choose group "A"—the champions of Social Credit. And the encircling groups sang—some meaning it, and some not—the famous felicitation:—

Now you're married I wish you joy,
First a girl and then a boy,
Seven years after son and daughter,
Pray come cuddle and kiss together

The girl and the boy were to be the Dividend and Discount, so we may surmise.

* * *

Well, in the *real* game, that is, the game as children play it, when the pair have kissed the first prisoner joins the ring. And so in the political game. Aberhart and his Cabinet are no longer the besieged, they have joined the besiegers. And the besieged are now the Technical Commission who are to put in Social Credit.

* * *

The key date in the sequence of the events alluded to was January 14, 1937, when the Ministerialists adopted the Report of the Planning Committee; because by doing so they publicly committed themselves, for the first time, to the technical principles of Social Credit. They afterwards stipulated that legislation giving effect to those principles should be prepared. The second Proposal in the Report provided for the Central Credit Office, the Dividend, and the Discount. Thus the "Three Dividends" insisted on in Britain by all representative Social-Credit leaders and teachers became registered as items in the Alberta Government's policy. The Ministerialists wanted the Government to retain Hargrave's services in order that he should supervise the demanded legislation from a "Social Credit technical view point." But, as he and the members of the Planning Committee

have intimated in a "Note" to the final Report, their proposals were designed to embody principles, rather than prescribe exclusive methods, of taking and exercising powers to put in Social Credit. John Hargrave was, as it were, a John the Baptist—a forerunner—a voice crying in the wilderness: "Prepare ye the way of the Lord."

It will be noted that Mr. Aberhart's legislation of the past few weeks embodies some of these principles (without violating any of them) but different methods, with the exception of the Moratorium, which was foreshadowed in the Committee's draft regulations as follows:

"No. 8.—If necessary, a debt holiday on all internal and external indebtedness to be proclaimed for one year, or more"

and rendered in less narrow terms in the final Report. (Proposal No. 10) as follows:

"If the Federal Government" [refuse to assist the Province] "... the Social Credit Government of Alberta will be reluctantly compelled to extend its policy of debt-legislation."

Now it must be assumed that every legislative step taken by Mr. Aberhart so far has been recommended by Mr. Powell and Mr. Byrne on behalf of Major Douglas. And so of any further legislative steps, unless officially and publicly repudiated or disapproved. In the meantime the Social Credit movements, and the public, in all parts of the world, look upon Alberta as having put herself under a Commission of Government of whom Major Douglas is the head and Mr. Powell the chief Resident Commissioner (for Mr. Byrne is said to be returning to England shortly) and so long as Mr. Powell holds his office there this must be taken as symbolising Major Douglas's responsibility for what is done.

This brings us back to our picture of the "surrounding forces" joining hands in a ring of "unity" round Major Douglas. The unity is unstable. It is a unity of watchful expectancy variously motivated according to the sympathy or hostility of the different groups of besiegers towards the actual putting in of Social Credit. Whether the prize for establishing this particular condition of unity be awarded to Hargrave (as suggested by the writer of the article in *The Times* of August 25) or to Powell and Byrne (as suggested by Major Douglas in *Social Credit*) or to all three (as we suggest is nearest the truth) is a matter of no particular consequence at the present time. The whole point is whether this unity can be maintained under the strains and stresses of positive action later on. At present it is a formal, official unity of Ministerial-cum-Opposition parties behind provocative legislation and truculent talking. The writer in *The Times* writes this off as "shadow boxing," and asserts that the official unity is camouflage for unofficial disunity among the business interests (small as well as great) who will be expected sooner or later to adapt themselves to whatever policies the Government proceeds to administer. He does not, however, commit himself to asserting this of the Alberta people as a whole; and it is upon their will and determination that the outcome of the fight will turn.

We are not disparaging this formal unity. So far as it goes it is a help, not a hindrance. It registers, for one thing, the placing of responsibility for producing results on the author of the Social Credit diagnosis and remedy, Major Douglas. This is what all Social Creditors want without exception. Major Douglas is the *de facto* Premier of Alberta with the consent both of the *de jure* Premier and the go-slow and go-quick sections of the Ministerialist party. Since they represent 90 per cent. of the votes in the Legislative Assembly the enactment of any measures decided on by Major Douglas is automatically certain.

So much for the advantages of formal unity. But they are not enough in themselves. The power to enact measures is not the power to enforce them. So Social Creditors must not be misled by the unity which facilitates simply the enactment. For enactment is simply the expression, in legal form, of an intention to do some-

thing in which the people will be required to co-operate, and will be punished for obstructing. Enforcement, on the other hand, will not be a fact until the people are actually co-operating. To apply this truth to the situation in Alberta at the present moment, here are some questions and answers:—

Q.—Have any bankers yet paid their licence-fees?

A.—No.

Q.—Have any bankers been fined or imprisoned for not paying?

A.—No.

Q.—Have any Government observer-directors taken their seats on the boards of the banks?

A.—No.

In other words the banking legislation is so far inoperative. And, as we say, unity behind inoperative legislation is not enough.

As regards the Moratorium it is too soon to apply this test fairly. It would seem to be more easily operable than the earlier legislation for two reasons: (a) because it is pleasant for Albertan debtors not to pay what they owe, and (b) because the creditors are in this case mostly not in Alberta. So the problem of enforcing the Moratorium does not yet arise; the only problem for the Government would be that of collecting from Albertan debtors what they owed to outside creditors. That was, it will be remembered, Mr. de Valera's problem in regard to the Irish Land Annuities. In his case, however, he was vulnerable to the reprisals visited on him by increases in British tariffs; whereas the Dominion cannot punish Alberta in that way. Canada is a Free-Trade area. However, we must wait and see what other reprisals, if any, the creditors of Alberta can exert or procure. In the meantime one important consequence is to be noted, namely that Alberta retains possession of a certain amount of Dominion credit which otherwise would have left that Province.

This leads us to revive our recent suggestion of the desirability for Major Douglas to direct the declaration of a Dividend in Alberta. We recognise that legislation to this effect might not be immediately operable. But, as our three questions above show, his bank-licencing and bank-occupying legislation is not yet in operation, and there is no evidence to show when it will begin to operate. Notwithstanding this, he attaches a high value to that legislation, and, so it seems to us, irrespective of whether it is operated forthwith or after some period of delay. There are reasons for supposing that he regards the enactment itself as sufficient for his purpose, which may be to stimulate other provinces to go and do likewise. Naturally, if they all enacted the measures in question, the problem of enforcement would be cease to exist. The Dominion Government would be "surrounded" in its turn by a ring of Provincial Legislatures demanding financial sovereignty, each within its own borders. In fact Ottawa would have no *locus standi* at all except as the subservient executive of the now unified Provinces.

We suggest that inasmuch as the temporarily inoperative banking-legislation in Alberta will contribute towards this achievement, much more will temporarily inoperative Dividend-legislation so contribute. We would like to see tokens of the Dividend distributed to every household in Alberta. Any face-value would do, but call it five dollars. The distribution need not be repeated, and repetition would not be necessary for the purpose in view. The objection that the tokens could not be spent would facilitate that purpose, which would be to place in the hands of everybody a comparatively permanent visible symbol of the practical end for which the Government were fighting, namely, to imbue each symbol with effective purchasing power. Thus each token would serve as an intimate personal advertising device ultimately convertible into the means of life. If economic stress is most clearly reflected, and would be could be nailed up on the wall in the kitchen, where a continuous reminder to the elector of his mandate and of the Government's duty to fulfil it. The old Stamp-

scrip was useful publicity, but had the fatal defect that it was expensive to save in addition to being difficult to spend. The Dividend-token, however, would not depreciate by saving, and in fact might embody an undertaking by the Government that its face value would be increased by a certain percentage per month until it finally became convertible.

There is an old gentleman who speaks frequently in Hyde Park. He claims to be the King of something or other. He distributes pieces of paper purporting to be his "currency," and says that he will honour them when he comes into his Kingdom. Ludicrous as this sounds, the handling of the old gentleman's "currency" does have a psychological effect on the recipients, though of course a fleeting one. The distribution smacks of business, though one may laugh at the naïveté of the performance. Now a similar performance in Alberta under present circumstances would deepen the popular impression that the Government meant business, and would be a potent weapon of unification in just the place where it is most wanted. By all means let us hurl defiance at the bankers, but let us not forget that the confidence, courage and endurance of the people set the limit to what the Government can do to enforce policy. These three essential qualities are most effectively stimulated by the judicious use of symbols.

Major Douglas says that the victory will not be final in Canada until all the Provinces join in. Presumably he means that Dividends carrying purchasing power will not be feasible in Alberta until the other Provinces have legislatively asserted their financial autonomy. We hope that this dispiriting calculation is not true; but even if it is it does not invalidate our present suggestion. There is no reason why the symbolic linking of the Dividend with the principle of financial autonomy in Alberta should put other Provincial Governments off seeking that autonomy. On the other hand we see good reasons why it should stimulate the sympathetic interest of the people of those Provinces. Free tickets for a sweepstake would be an object of interest even if no date for the drawing were known—and for that reason the distribution of only contingently convertible Dividend-tokens would attract attention in other Provinces than Alberta.

If we apprehend Major Douglas's strategy rightly it is based on the principle of halting Alberta at various stages until outside Provinces ally themselves with her, or at least declare (with guarantees) their benevolent neutrality. If this is so, it is not clear whether the process will be considered complete when Alberta has converted the Confederacy, or whether the Dominion of Canada will have to be halted in turn until Australia, New Zealand and South Africa catch the infection. That this is what he may foresee is confirmed by his hint (commented on in this journal on June 10) that he had to take into consideration, when advising Alberta, the interests of Social Credit movements in other parts of the world. We understand, too, that in the *Daily Telegraph* recently there was a statement that Major Douglas might visit New Zealand again. Further confirmation is implied in a remark made by Mr. Powell warning his listeners of the grave consequences of "even a temporary defeat," which we interpret as a rebuke to those who were pressing for the Government to proceed too fast in adopting the proposals of the Planning Committee's Report. We could better understand the reasonableness of this warning if the enactment of the appropriate measures involved their prompt enforcement, or immediate attempts to enforce them. But we have shown that this is not the case. Even so, in the absence of any concrete case, it is by no means so certain that failure to enforce a measure, i.e., a "temporary defeat," must give rise to grave consequences.

To be frank, we are not happy about the underlying implications of this delay-strategy. It is as much as to say that in playing chess with the bankers you must not risk a single piece. If you would win a victory you must risk a defeat. We are not forgetting the proverb which speaks of fools rushing in where angels fear to tread; but in the present unprecedented circumstances

no-one can tell until after the event whether the haste of the fools or the hesitancy of the angels were the right strategy.

We are not even happy about our own suggestion. Its defect is that it does not provoke the bankers to intervene; whereas what we want is to see them intervene under conditions where their intervention *interrupts* the actual distribution of spendable Dividends, or is unmistakably timed to prevent a distribution legislatively authorised and administratively prepared for. Our suggestion is the best compromise we can think of between Major Douglas's apparent policy of postponing the Dividend and John Hargrave's policy (in the Report of the Planning Committee) to pay it. However, the decision has been left to Major Douglas's unfettered discretion, and we must be content with voicing, for his consideration, the above views, which are held by a considerable number of Social Creditors experienced in public affairs.

Turning to something more inspiring, we must pay a tribute to the Albertan Ministerialists for the courage they have shown so far in acting on Major Douglas's advice. We, in England, are apt to overlook the fact that the great majority of these men were earning comparatively little money when the Election called them into the service of the Province. They surrendered their jobs. If and when they lose their seats they will, in most cases, have no means at all. And that might well be their fate if they fail to keep faith with the electors in strict accordance with what the electors choose to regard as their promise. We do not know what the electors will be thinking at the crucial time. But it is probable that their test will be whether Dividends have been paid, or an honest and resolute attempt has been made to pay them. If they fail to pass the test, will the electors accept their excuse that they were advised to wait for "other Provinces," or to consider the "interests of other Provinces," or to consider the "interests of movements in other parts of the world"? If not, what will be the position of these defendants if found guilty? The Social Credit movements throughout the world have no unemployment funds to distribute among them. So we cannot reasonably calculate on their following Major Douglas's advice unless the electors show signs of approving it as well. If they are content to have Dividend-legislation postponed, well and good. Their's was the right to demand it, and their's is the right to renounce it. So it will be seen that the events of the future will turn on their attitude.

The Floating Debt

Interesting information about the "causes and implications" of "movements in the Floating Debt," are given in the "Monthly Review" of the Midland Bank for July-August, 1937. Useful for Social Credit students and teachers.

The Unemployment Fund

The Press has reported an increase of £30 millions in the Unemployment Fund, due to new contributions from the re-employed. Note that this Fund abstracts money from private purses. In all probability the proceeds are being used for the purchase of Treasury Bills. This means that workers are involuntarily helping to finance the Floating Debt. This enables the "Money Market" to borrow less from the banks, or else to divert its investments into other channels.

Trade Union Expansion Policy

The Press reports a contemplated drive by the Trade Unions to rope in new members. They estimate that in and around London there are two million workers not yet "organised." (That is, not yet taxed!) One of the earliest Social Credit pamphlets issued was entitled *Trade Union Finance*. (It is out of print.) It called on members of Trade Unions to find out what became of their money. Nothing happened, of course. It would be a most illuminating thing if a combined balance sheet of all the T.U. societies could be furnished—better, a series, for purposes of comparison. For instance, for a start, how about the years 1925-1927, covering the period during which the General Strike took place?

LETTERS TO THE EDITOR.

CAPITAL AND PRICES.

Sir,—It is delightful to see so many letters in your issue of August 26 bearing directly upon important questions raised by Social Credit doctrine. I offer the following commentary.

I suggest it is Mrs. Bing who is "ignorant of the functions of money," for she evidently believes that the payment of interest is a claim on consumers for more purchasing power than has been supplied to them; but, in fact, it is a mere redistribution of income.

If A, having an income of £400 a year, borrows £100 capital from B, whose annual income is the same, and pays him £5 for the loan for a year, then £5 of A's income is transferred to B, with the result that B for that twelve months has £405 to spend and A only £395. No shortage of consumer income is caused, nor is there any problem of "where is the money to come from?" In fact, A pays B for his services, just as he would pay for the services of his doctor or his solicitor. Precisely the same procedure occurs in the payment of bank-interest.

Certainly, I should try to charge people for the use of my machine, because I have foregone immediate rights to enjoyment that I could have had instead of the machine and have run a risk that people will refuse to use it in the end. If they do refuse (by ignoring my machine-made products at market) I find my machine valueless and I lose the £100 it cost. It is because investors undertake such risks in an effort to provide new services that they require to be paid, both for risk and services, in the form of interest. They are doing nothing different from, nor more reprehensible than, the man who demands rent from people who live in a house he owns.

Does Mrs. Bing think it right if I build a £1,000 house and charge £50 a year for the use of it, but wrong if I lend £1,000 direct to someone else to build a house and charge him £50 a year interest on the loan?

I fear Mrs. Best has not quite grasped the essential feature of Major Douglas's views upon which I have been concentrating. Unfortunately, the necessary quotations to establish the point, if made from Major Douglas's own works, would be far too lengthy for this letter. But I would particularly ask her to consult page 24 of "The New and the Old Economics,"* where she will find an admission that depreciation charges as such cause no deficiency, but a claim made that prices are raised above consumers' purchasing power by "charges in respect of the original plant."

Mr. A. W. Joseph, in articles in *The New Age*, since reprinted as a pamphlet, set forth the Douglas teaching briefly thus: When a manufacturer "has built an extension to his factory, he will endeavour to collect the cost of the extension in the price of the goods made by the factory. This is irrespective of depreciation, which may be immediately distributed as payment for renewal." Again: "Make no mistake, it is not merely depreciation which has to be recovered. I agree that depreciation costs may be reissued as payments for keeping the factory in good order. The money value of the shares has sooner or later to be recovered." Mr. Joseph has undoubtedly correctly interpreted Douglas and, in fact, the Major has written a commendatory introduction to another pamphlet by him.

Therefore, when Mrs. Best asks "where the real difference lies between charging consumers replacement costs and selling the machine to consumers" she is missing the essential point I was opposing, which is Major Douglas's idea that consumers have to pay not merely replacement costs but the original cost of the capital asset as well.

Mrs. Best next overlooks what Mr. Joseph sees (and Major Douglas also sees on that same page 24)—that payments are made to consumers for making repairs and replacements. The original £100 is not required for that purpose at all. Workers at those jobs are paid just as are bakers or boot-makers. The costs are part of the normal costs of production. Suppose I run a factory at a total cost of £1,000 a week. I pay out, perhaps, £900 for direct labour on my

* "... if we can imagine the modern industrial system doing only so much work upon capital goods as to maintain them indefinitely in exactly the same state of efficiency, then, quite obviously, consumption would be exactly equal to production. Under these conditions, the amount of wages distributed on maintenance would obviously be added into the cost of the end products, and collectively with the wages paid to the final producers of end products would be sufficient to buy the end products, always providing that no charges in respect of the original plant, buildings, and other capital goods, which were merely being maintained, were charged in the prices of either intermediate or ultimate goods, and that no one made a money profit."—*The New and the Old Economics*. Page 24.]

product and £100 on maintaining the machinery in good order. It is, in fact, possible that I keep a repair shop on the premises. Payments to one set of workers £900 and to another £100. Price of product (ignoring profit) £1,000; consumers' income £1,000. No necessity to finance other "redundant fixed capital" arises, and to hand consumers a free gift of £100 a week as well as the £100 direct payment would be to provide them with £1,100 to meet £1,000 cost and price.

Here "L. C. J." would object that at least some replacements are of a long-term nature and that the money to make them is claimed in prices from consumers before being paid to them. But he has considered only one side of the position. Suppose firm Z charges £10 a week and paid for ultimate replacements which are not made and paid for until January, 1937. Then, in January, 1937, Z is collecting only £40 odd (towards January, 1938, work), but he is distributing £520. But Z is only one of thousands of concerns, and the similar periodical over-distribution of many of these firms would be occurring during any and every week of 1936. It does not require a diagram but merely a moment's consideration to show that the myriad combinations of under-charging and over-paying and, alternatively, over-charging and under-paying must result normally in a collection and distribution approximately equal at any point of time.

Which brings us to the question of "reserves," raised by yourself, sir. You very truly point out that these take the form of investments—if they were kept as hoarded cash they would cause a deficiency—held against complete obsolescence of my factory. This is merely another aspect of depreciation, which term, used comprehensively, covers not only present maintenance, but ultimate complete replacement. Your argument, please remember, is designed to show that I charge consumers both with depreciation and also the original cost of the factory. But your illustration shows nothing of the kind! It shows me finally with a completely depreciated, i.e., obsolescent, factory, but equivalent assets. What you had to show was an undepreciated factory, plus equivalent assets, in order to disprove my statement that "I do not charge consumers both the original cost and the depreciation, and thus find myself in the happy, but fantastic, position of having both the undepreciated factory, plus the money (or equivalent assets), I gave for it."

However, let us suppose that I was so abnormally fortunate as to sell my product at a price that would cover all costs, including maintenance and complete replacement when necessary, and provide me, in addition, with investments equal to the value of my still undepreciated, or completely renewed, factory. What has happened? Simply that I have made 100 per cent. profit, and by returning money to consumers, instead of spending it on consumption myself, have in exchange acquired new capital holdings. Which brings us round once again to my original simplified machine illustration of the nature of saving and investment (and therefore of reserves also), demonstrating that the process does not cause, as Major Douglas thinks, a double set of costs against one lot of consumers' purchasing power. The provision of capital assets is a cost met wholly by investors—as they quickly find out if they make a bad investment.

J. A. FRANKLIN.

Sir,—Mr. Franklin may care to meditate on the manifold implications of the following:—

"A flow of public money for creating employment will not remain in an economic structure and create continuous exchanges of goods and services. It will but pass through such structure and leave dirty marks in the form of mortgages on the living community and on posterity."

(This passage is taken from an article in the "Banker's Magazine" for August, 1936, over the signature of Mr. A. H. Gibson. The remainder of the article deals with credit-creation on lines familiar to Social Credit students.)

The article in question analyses the effects of credit-expansion for public works purposes, and the above extract is a sufficiently graphic summary of the writer's conclusions. I doubt if any Social Credit pamphleteer could better the "dirty marks" analogy.

I am open to correction, but it seems to me that Mr. Gibson has handed our case to us on a plate. It is but a short step from public works to industrial (physical) capital. The methods of financing both are, fundamentally, identical, and under the present financial dispensation the results are identical.

M. G. M.

["The next batch of correspondence will be saved for the "Supplement." Date of issue will be announced later.—Ed.]