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CONTENTS.

Alberta.

The New Session Opened.

The British United Press cables from Edmonton under date September 24 that Mr. L. D. Byrne has become a permanent commissioner to "administer Social Credit" in Alberta, and will shortly take up residence there with his family. He has been given a 10-years' contract. (See *The Daily Mail*, September 25, p. 3.)

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A report in the *Evening Standard* of September 25 adds that Mr. Byrne will "draft the regulations" which "*will become*" the Government's "*Social Credit policy.*" (Our italics.)

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A Reuter cable from Edmonton in the same paper on the same date says that the Alberta Government have set aside £1,000 for the establishment of a Press Bureau to function under the Social Credit Board. The bureau will circulate information to newspapers and wireless stations. The same cable mentions that complaints were made in the Legislature about inaccuracies and misrepresentations in the Press concerning the Government's programme, and suggestions made that the Press might have to be "restrained."

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We are not clear whether the phraseology which we have italicised in the *Evening Standard's* report quoted above is that of the reporter, or of the Secretariat from whom he may have elicited his information. To begin with, a *policy* is decided *before* regulations, so that there is no sense in which the regulations can *become* the policy, unless of course one supposes a Government to make regulations with an "open mind," waiting to see whether they can be enforced or not before deciding what the policy shall be.

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But the phraseology can be made to bear a clearer meaning if one assumes two kinds of policy with their respective codes of regulation. And that assumption is amply warranted by Major Douglas's announcements. He has insisted on the distinction between a policy designed to *take power* to administer the public credit, and a policy designed to *exercise* that power on a given plan. We have ourselves distinguished them under the respective descriptions of the Power-Plan and the Dividend Plan. The term "Social Credit Policy" is of course generally applicable to both if one assumes that the Government bids for the Power with the express intention of paying the Dividend.

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Now, the regulations so far made by the Albertan Government (and presumably recommended by the Social Credit Board under Major Douglas's authority) belong entirely to the first category. They are Power-taking regulations. They are not Dividend-paying regulations. So that even if they could *become* the "Social Credit Policy" of the Government this policy would not be the policy which the electors voted for. And until Dividend-paying regulations are announced by the Government the Power-taking regulations are no guarantee, in themselves, that the Government's policy is (or has become) the authentic Social Credit Policy. Indeed all the regulations so far announced in the name of Social Credit are such as would willingly be made by Hitler, Mussolini, Stalin and other dictators. In fact there have been strong hints passed recently in British Fascist quarters that Fascism is the answer to the power of the banks. Very well, supposing that Mr. Oswald Mosley came out with proposals to plant directors in the banks, to restrain the Press, and so on along the same lines as the Alberta Government, would any instructed and sincere supporter of Social Credit take this as a guarantee that Dividends would be forthcoming? No; every Social Creditor would reflect that after all, these Power-taking regulations subserved and consolidated the principle of political centralisation, and he could reasonably argue that this was Mr. Mosley's end-objective.

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The moral is this: that the only condition on which any Government can legitimately seek to centralise power in the political field is that they intend to de-centralise power in the economic field. As the late A. R. Orage and his fellow National Guildsmen used to insist long before Social Credit was ever heard of: "Economic power precedes political power." Later, they came to appreciate that financial power preceded economic power. This is where the Dividend comes into the picture. For the paying of the Dividend amounts to the de-centralisation of financial power, and therefore of economic power, and therefore of political power. Hence a Government who give guarantees that they are going to pay the Dividend may reasonably ask for such centralisation of power as is necessary to ensure the payment. For they are, in the nature of the case, simply borrowing the use of this power on short-term conditions. They are borrowing it to do something with it which will take it from them. *Dividends are Death to Dictators.*

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Accordingly we feel constrained to renew our plea that the Albertan Government introduce Dividend-paying regulations without delay. That done, they can demand all the powers necessary to remove obstacles to carrying them out, while offering the narrowest possible target for charges that they want the power for its own sake, and want to use it for their own. We are sorry if what we say sounds as if we lack confidence in the integrity of the Government. It is not our intention to bring Casear's wife under suspicion, but to raise her above it. And we affirm that the Albertan Government can come nearest to that position by linking with the principle of temporary political autocracy the principle of permanent economic democracy. The link is the Dividend, or the Dividend-commitment.

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We have another reason. It is provided by Mr. McKenna, who has recently delivered himself of the following sentiment:

"There is no such thing as Social Credit. It is 'a phantasma, a figment of the mind,' a myth uncomprehended even by its own promoters."

For this he has been taken to task by the official organ of the Social Credit Secretariat. Unfortunately for the Secretariat Mr. McKenna could adduce quite a lot of material published in that organ which the public would regard as sustaining his contention. Here is one official statement:

"If people associate together and persistently get the results for which they associate, that builds up Social Credit."

Then further:—

"When they get it" [i.e., Social Credit] "it will be Social Credit, and whatever they do which gets it, that is Social Credit."

Again, an accredited spokesman of the Secretariat wrote in *The New English Weekly* on July 8:

". . . I would point out that Social Credit is a characteristic of every stable community, and that what we are trying to do is to increase the Social Credit by changes in the democratic and financial mechanisms."

Variants on these themes have appeared with increasing frequency during the last six months, and they are entirely incomprehensible within the frame-of-reference of practical politics. If Mr. McKenna chooses to quote them he can get away with his case so far as the public can judge.

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The answer to him is to say that the term Social Credit was originally, and still is, a proprietary description of a particular discovery in the field of applied finance, and of a set of practical proposals based on it. "'Social Credit' is twenty-five dollars a month" exclaimed an obscure Albertan citizen, and that definition hits the nail on the head. It was virtually to say: "When I get my Dividend, that will be Social Credit." Mr. McKenna can reply if he likes that the twenty-five dollars are inaccessible but not that the idea of getting them is incomprehensible. "Social Credit" is a name just like any other name used for purposes of identification. The meaning of the name itself has nothing to do with the thing it identifies. Reginald is such a name. No doubt the word Reginald, like most Christian names, has a primary meaning all its own. But in our dealings with anyone of that name, say Reginald McKenna, we do not want to know anything of the meaning. And so with "Social Credit." The meanings of this adjective and noun, whether taken separately or combined, are irrelevant to the specific analysis and proposals which were baptised by those words. Listen to this:

THE METAMORPHOSIS OF FLIMPSOL.

I.

Bloggs's discovery of the virtues of Flimpsol as a cure for indigestion.

II.

Bloggs's invention of the Flimpsol Digestive Pill.

III.

Formation of the Bloggs-Flimpsol Digestive Pill Society.

IV.

Reconstruction as the Bloggs Digestive Pill Society.

V.

Further reconstruction as the Bloggs Society for the Cure of Indigestion, with slogan:

"Whatever you take that cures your indigestion is *Flimpsol*: and whatever you do to get hold of it, that also is *Flimpsol.*"

VI.

Final reconstruction as the Bloggs Society with slogan:

"Whatever you take that cures anything you suffer from is *Flimpsol*: and whatever you do to get hold of it, that also is *Flimpsol.*"

Would not anybody say, in the words used by Mr. McKenna, that the alleged cure was a myth? So we come back once more to our plea for Dividend-regulations. The Albertan people's sentiment is: "Ah, take the Cash and let the Credit go"—in other words there will be time and opportunity enough after the Dividend comes for them to explore the esoteric profundities that may lie hidden behind the word "Social" and the word "Credit." We need at present to free the authentic Social Credit policy from the miasma of metaphysics. Mr. McKenna's outburst will do good if it brings home to the Movement this necessity.

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Turning back to the news from Alberta the situation appears to be as follows. Messrs. Byrne and Powell, as paid technical advisers, will not have control of policy. Their function will be to draft regulations in accordance with policy. At the same time they are co-directors in the Secretariat with Major Douglas, who controls policy. So, in a sense they share in the control. Additionally they will be observers on the spot to see whether the Cabinet develop policy in strict accordance with advice from London. Whether either or both would resign in case not does not transpire. If they do not contemplate resignation in any circumstances, and if the Government cannot enforce resignation, then, as regards Mr. Byrne, he is assured of continuity of office over the next two general elections. What would be the position supposing the present Government were defeated by opponents of Social Credit at the next election it is difficult to forsee on the meagre information available.

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And this leads us to suggest that the Secretariat opens a Press Bureau corresponding with that opened in Alberta. We mean, of course, a Bureau which will distribute information impartially to all organs of publicity whether "Social Credit" or otherwise and, if "Social Credit," irrespective of whether they are affiliated to the Secretariat or not. Of course the Secretariat have their own organs, but so have the Albertan Government. Therefore the Alberta Press Bureau must obviously be intended to fulfil a function that the official newspaper does not. And it is a similar Bureau with the same function that we suggest. The object in both cases would be to deprive independent journals of all excuse for publishing incorrect or misleadingly incomplete accounts of the Secretariat's acts and intentions. If that is worth while in Edmonton it is worth while in London.

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Major Douglas has recently laid it down that journals or organisations not acting under his orders must not claim to be forwarding his policy. In its context this statement suggests that their actions are likely to embarrass him, and that therefore, from his point of view, they count as Opposition parties to his Ministerial strategy. Well, in times of emergency there are such things as Front-Bench consultations. But in the absence of these it must be remembered that it is the prerogative of an Opposition to hustle the Government along in fulfilling its mandate as well as to criticise its methods of doing so. This is what Mr. Hargrave effected by his visit to Alberta. Major Douglas calls this an "intrusion." The consequence of this intrusion is—Mr. Byrne's appointment as a permanent Social Credit Commissioner. Presumably Major Douglas approves the appointment, in which case the whole Movement approves it. It remains now for the "Opposi-

tion" to do some more hustling so as to shorten as much as possible the duration of the Power-taking preliminaries directed by Major Douglas and get on to the Dividend-paying preliminaries demanded by the people of Alberta. There may of course be some sound reasons why Major Douglas should not be hustled. If so we suggest that these reasons should be communicated to all responsible leaders within the Movement.

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We must say a word about the Press Bureau in Alberta in relation to the Freedom of the Press. It is within the right of the Government to insist that when they give out information to the newspapers those newspapers should at least quote it correctly, particularly if they propose to comment on it. We cannot say more until we know the terms of the "Press Act."

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To continue, we should like to extend our hearty congratulations to Mr. Byrne on his appointment. It entails responsibilities and difficulties, and these will bear the more heavily on his shoulders since he will be on the spot to be shot at if things do not go well. For this reason he is to be commended for his courage. For the same reason we shall expect that insofar as he can influence policy he will incline rather to do a bit of hustling himself along the lines that we recommend. As we have said before, the possibilities of effective action by the Government depend upon the temper of the people. Mr. Byrne, as a permanent resident among them, can be depended on to sense that temper. He is a man whose personal initiative has been demonstrated; and there is no question that his presence in Alberta will help things along.

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Alberta stands in the same relation to Canada as the British Empire does to the rest of the world. Her problem in fighting the Canadian bankers is the same as would be Britain's in fighting the Basle bankers. So what Alberta does (or tries to do) and what the Canadian bankers do (or try to do) in reply, should afford pointers as to what would happen supposing Britain returned a Social Credit Government. The Alberta experiment should be a small-scale model. That being so, the model should embody all the essentials of the Social Credit design. The great essential is the payment of the Dividend.

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Authoritative Social-Credit advocates have always pointed out that if Britain went Social Credit her power to resist foreign interference would be greatly increased by her paying out the Dividend. This power would arise from (a) improved internal morale and (b) decreased external prices. Thus the payment of the Dividend would come before the "taking of power" (politically) to pay it, and in fact would constitute the *means* of "taking power."

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Since that is so about Britain, and since Alberta is the only place where a working model for guidance can be constructed, there is a strong case for Dividend-paying to be included in the construction thereof. If the model works, very good. If it does not work, then we shall all find out how it has been prevented from working.

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Critics of Social Credit used to say that it would not work in Britain because Britain was an *importer*, on balance, of food. They are now saying that it won't work in Alberta because Alberta is an *exporter*, on balance, of food. They cannot have it both ways. The second way is the less plausible. For obviously if Alberta produces more food than her people are consuming, and if they can consume more of it than they are doing, then the case is made out for a Dividend equivalent to the unconsumed but needed margin. It could be only a small Dividend. The vital thing is to get the *principle* of paying it into operation. That accomplished, the Alberta moral becomes an object lesson which will enable Social-Credit exponents and strategists in all parts of the world to develop their policies and plans.

Mr. McKenna on Social Credit.

Since we wrote last week a few further details of Mr. McKenna's views on Social Credit have come to hand. They are much the same as one deduced from his cross-examination of Major Douglas when a member of the Macmillan Committee. He then showed that he was unable to distinguish between the relations of banks with each other and the relations of the banks collectively with the community. For example he referred at that time to a hypothetical loan which if made, as he said, by *his* bank, would involve *his* bank in a loss (or contingent loss) of the money—meaning presumably that he might have to part with legal-tender currency to some depositor or other. This objection was answered, not by the witness, but by Mr. Cecil Lubbock, another member of the Committee, who interjected the reminder to him that whatever might be lost to *his* bank would be gained by the other banks.

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Apparently the lapse of time since then has not illuminated Mr. McKenna's blind spot, for in one of his interviews in Canada he has revived this identical objection apropos of Albertan finance.

"It is true," he says, "that a loan creates a deposit; but every deposit is a liability to the banker—money he owes to the depositor and must be ready to pay on the instant. What a banker lends is not usually cash at the moment of the loan, but his ability to pay cash at any moment—in other words his credit."

Well, theoretically, any bank loan is convertible into currency by the borrower, or some other party who gets the equivalent deposit. But practically the contingency is negligible. The only cash paid out by the lending bank would be cash payable to other banks to settle Clearing-House balances. The amount could, in theory, be equal to the loan, but only if the whole of the deposits created by it were lodged in other banks.

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Even so, the cash would remain in the custody of the banks collectively; and a little reflection will show that the banks collectively could not "lose" their cash except as the consequence of a conspiracy among depositors to draw it out and hoard it.

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Again, so far as the community are concerned, it would not matter (or need not) if any particular bank were stripped of all its cash by the others and went out of business. We are quite aware of the ruinous consequences of bank failures in the past—the Home Bank of Canada for instance. But these were not fundamentally inevitable, and would not have taken place if the ruling classes in the Dominion had possessed a better technical knowledge and a quicker political conscience than was the case.

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For example, take the hypothetical case where a bank lends a credit equal in amount to all its cash, and where the other banks get all the resulting deposits, thereby being able to claim all the cash, which claim they then exercise. Well, the lending-bank will go out of business as an independent concern, but that is no reason why its general liabilities should not be discharged. For the other banks will have collected a pound sterling in extra cash for every pound of extra deposits. On their own computation of "safe cover," namely the 10:1 ratio, they are obviously able to absorb the defaulting bank and assume responsibility for honouring all its obligations to its own depositors.

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We remember that when the Home Bank of Canada failed we made some remarks to the above effect, and suggested that the banks collectively were virtually robbing the community by allowing that bank to fail. And now that this event has come into the discussion, we suggest that it would be a useful peg on which to hang a political moral for the Canadian public. It could be supported by reasons (arising out of the above analysis) showing why restitution ought to be made to the depositors who lost their savings in the crash. For it is a preposterous proposition that the rules which bankers make to regulate their mutual relationships should indirectly force their customers to pay the penalty for a breach of the rules. As the chairman of a City company once said when announcing its liquidation to an audience of sad-faced shareholders: "Ladies and gentlemen, I can assure you that your money has been lost honestly!" Well, let us allow that in one sense money can be lost honestly by commercial enterprises; but it is an entirely different case when such a claim is made by banking enterprises. If the creators of money can lose their clients' money honestly, then it should be possible for vivisectionists to inflict pain painlessly!

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No; Mr. McKenna must really try to see the banking combine as a whole, and stop confusing individual risks will collective risks. "When thieves fall out honest men come by their due," says the proverb. So he ought to come to see that his objections that Social-Credit finance might cause individual bankers to fall out is a piece of artless impudence. Honour among thieves inflicts onerous burdens on those who are not thieves. (We use the word "thieves" figuratively of course.)

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We would further ask Mr. McKenna to realise that "inflationary chaos" means an astronomical rise in prices. We should like him to explain into whose hands the proceeds would come. Take a retailer (typifying sellers by retail collectively). He buys stock worth say 100 dollars. To clear the question of his profit out of the way imagine him to take it out in goods from his stock and offer the remainder to his customers. (This is what is done in principle.) He now needs to collect 100 dollars to pay the wholesaler. Assume that under the orthodox system it will take him two weeks to clear his stock. Now suppose that a Social Credit discount of 50 per cent. is declared. He will now clear his stock out in one week. The industrial system would double the rate of production (of consumable goods). But it would not double its production of capital goods; it might not increase them at all. It would depend on how much unused capacity to produce existed before the change. Anyhow the cost-levels of consumables would fall owing to the spreading out of overheads over the larger output. And so would the price-level, because the Discount compensation would only be paid on proof of cost incurred. The retailer's cost (which would be the wholesaler's price) would be verified. The retailer would not pocket the 50 dollars distributed by the Government. Nor would anybody else along the chain of productive processes who would not sustain loss if he did not get his share of that money.

* * *

Major Douglas says that in principle new production must be financed by new credits, not by allocations out of earned incomes. Thus, in principle, the private investor is eliminated. In practice he need not be, but if he invests his money he will get it back again. Certain critics claim that the investor does not recover his money in prices, and that industry is self-liquidating on that account. But by the same token he does not part with the property in which his money is invested. This would not matter if the whole of the property consisted of *essential* fixed capital all of it working to full capacity. But there is actually an enormous glut of such capital doing no work, and another glut of other industrial property making no movement towards the consumption markets. The investor sits on top of the lot, and the claim is made that this is all right because he is content to forgo the return of his money.

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This is a manifestly absurd claim. Let him forgo money (if he does) tied up in capital that must necessarily be "fixed," but if he forgoes any more the community can say: "Thank you for nothing! here, take it back and have a drink with it." And justly so, for his abstention does not feed his neighbours; on the contrary it denies them (and himself) access to food.

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So, if in principle investment is thus counteracted by the Dividend, new production will be financed by new credits—i.e., loans of public credit via the banks. That being so, the whole cost of goods offered for consumption will, in principle, represent repayable and extinguishable bank-loans. If, in practice some of the cost is due to be recovered by persons who have put in "their own" money, well and good—they will get it back.

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So it is up to Mr. McKenna to produce any person who could be detected getting money to which he is not entitled or money for which he can find no use. For "chaotic inflation" involves "chaotic" profiteering—and if so the profits must appear in someone's possession. Whose?

* * *

Social Credit does not abolish competition. Granted that competition could be abolished by agreement, what would be the inducement? And if the reply is that industry would conspire to upset the Social Credit system, well, the Government would know how to deal with the conspirators; and ninety per cent. of the population would applaud the penalty.

* * *

This is not the place to unravel fine intricacies in financial transactions, and probably they will not be cleared up satisfactorily until the Dividend policy is put to practical test. We must rely on the broad truth that under Social Credit industrial costs will represent actual and necessary disbursements, and as they appear in the consumption market the community will be assisted to pay them in full.

* * *

Profiteering arises ultimately out of the fear of not recovering costs. Social Credit will eradicate that fear by making all costs recoverable as regards goods that consumers want. The only risk run by any enterprise would be that of making things that they do not want. That risk is negligible to the wideawake type of mind that runs a business.

Coffee Destruction.

[Reprinted from the *Evening Standard*.]

Brazil is to burn 70 per cent. of this year's coffee crop.

An agreement has been reached which will be issued as a law providing for the destruction.

The Brazilian Senate have already approved a loan of approximately £8,300,000 to enable the Coffee Department to pay the growers 5 milreis (about 1s. 9d.) per 60-kilogram bag on 30 per cent. of their crop, and 65 milreis (£1 2s.) per bag on 40 per cent. of their crop, all of which will be burned.—British United Press.

Coffee, of which Brazil produces more than half the world supply, or approximately 1,400,000 tons, is one of the country's main exports. The fall in world prices after 1930 hit Brazil particularly hard, and since 1932 successive Governments have destroyed part of the annual crop in the hope of keeping up the price.

Forthcoming Meetings.

LONDON SOCIAL CREDIT CLUB.

Blewcoat Room, Caxton-street, S.W.

October 1, 8 p.m. "The Battle in Alberta and England," by Mr. Ewart Purves.

October 8, 8 p.m. "Italy and the Money Power," by Mr. A. R. Reade.

October 15, 8 p.m. "Social Credit from a Topical Standpoint," by Mr. E. W. Harrison, of Birmingham.

October 22, 8 p.m. "How Social Credit will Abolish Poverty," by Mr. H. Best.

October 29, 8 p.m. "Demand Your Inheritance," by Mr. P. J. Hand.

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