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Christmas Toast :— "Dividends By Midsummer!"

Alberta

THE EMPOWERMENT LEGISLATION

The ultimate issue involved in the forthcoming test case before the Supreme Court of Canada of the constitutional legality of Aberhart's empowerment measures is this: Whether the enactment and the implementation of a Social-Credit measure for distributing dividends is within the constitutional right of a province. A Social-Credit measure is, of course, one which provides the people with additional effective purchasing power based on their real credit, and which ensures this by price-regulation designed to prevent inflation.

Now, the empowerment legislation that is to be tested does not raise this issue. This can be illustrated by reference to such a thing as the right of, say, the Southern Railway to run a train to a particular destination. Assuming that Plymouth is the final destination (i.e., where the dividends are available) and assuming that it is necessary for the train to pass through Basingstoke (i.e., the empowerment junction, so to speak) the Southern Railway Company, by seeking powers to reach Basingstoke would not thereby commit themselves to run the train to Plymouth. They might either run it to Portsmouth instead; or they might not run it beyond Basingstoke at all; or they might run it towards Plymouth, but at so slow a speed that a vessel sailing out of the Thames could get there in front of it.

Now the application of this illustration is as follows. We shall all reach Plymouth eventually. The coming of Social Credit is inevitable. It became inevitable from the moment that the reason for the economic deadlock was made known to the world in 1919. The revelation of the reason brought the bankers before the bar, not only of public opinion, but of Capitalist opinion, and the opinion also of the responsible permanent technicians functioning for the Government, for Industry, and even for the Banking Hierarchy. It indicted the bankers as technical bunglers and political usurpers. True, the indictment was not taken up, but it was formulated: and events have since progressively confirmed its truth. It is this progressive confirmation, together with the sinister symptoms of disintegration bound up in it, that makes the coming of Social Credit inevitable. For, as these symptoms of disintegration increase in number, so will symptoms of disaffection—yes, and in quarters nearest to the apex of the pyramid of administrative government, legal, military and industrial.

This fundamental proposition is not ours alone, it is that of Douglas, and of all the pioneer students and expounders of his analysis. And it was on the basis of that proposition that for fifteen years the policy of the Social Credit Movement was one of decentralised educational and agitational effort. It was a policy of enlightenment to be carried out by individual initiative in any manner for which the individual felt himself best fitted and which the circumstances of his environment suggested.

In the latter part of this fifteen-year period a school of thought arose—of which Hargrave was the leading exponent—which held that Social Creditors ought not to be content with this doctrine of automatic inevitability, but should organise themselves into an instrument of political pressure under centralised leadership.

He said in so many words:

"Granted that we shall all be taken to Plymouth eventually, why wait for events to force our rulers to take us there at the last minute? Cannot we ourselves do some of the forcing and shorten the delay? Prophesy and interpret events as much as you like, but if you do no more you will get there by sailing-boat time instead of train-time."

Logically, this meant that the policy of enlightenment should be supplemented by a policy of intimidation. Not, of course, threats of bodily harm and things of that sort, but actions taken to jolt responsible people out of their lethargy. In a word, a policy like that of the Suffragettes but without their actionable extravagances.

As is known, Hargrave favoured an organisation using an "unarmed military technique" and exploiting the influence of uniforms and pageantry. But at that time Social Creditors were resistant to the principle of centralised organisation, and, apart from that, they did not like the flavour of militarism associated with the advocated policy. It seemed to them to embody the spirit of sedition even if it did not impart the suggestion thereof. So they largely held aloof, and Hargrave was left to carry out his idea with the support of the minority who liked it. He prophesied, however: "You will find that the time will come when you have to organise, whether it is on my lines or some other." (This was at the meeting held in Ludgate Circus, which old readers of THE NEW AGE will remember.)

Well, this prophecy was fulfilled at Buxton. A policy of what may be described as "constitutional intimidation" was announced, and its direction vested in the Secretariat. The policy was to be carried out by the "electoral campaign," in which every Social Creditor was expected to take part. The object of the campaign was to intimidate members of Parliament by getting the electorate to unseat them if they would not pledge themselves to support the demand for dividends in the House. It followed that, from the Secretariat's point of view, the Green Shirt Movement was a redundant organisation, and that it should dissolve and take service under the official leader of the Movement. But its reliance on "military" types of demonstration in preference to electoral canvassing stood in the way of absorption. The British Government have since helped to solve this difficulty by passing the Public Order Act banning uniforms. In the meantime, however, the electoral campaign has been abandoned in its original form, and so the question of roping in the Green Shirts to help in it does not arise.

The new form of the electoral campaign represents the reversion to the principle of decentralised effort. It seeks to take advantage of the axiomatic fact that an importunate minority can get served in front of a lethargic majority. It allows scope for individual initiative and ingenuity in local areas for the achievement of desirable local objectives. It saves time and expense. It cuts out the necessity for reference to headquarters when once the idea is grasped. Now, in other circumstances, this substitution of small local objectives for a large national objective would have dispirited the Movement, for this line of action, considered as a means of speeding up the coming of Social Credit, would be seen to be negligible. To use our illustration, it would take us to Plymouth no faster than events themselves would take us there.

But, by common consent, the whole problem of action in this country (and other places in the Empire) has lost its urgency of solution by developments in Alberta. Aberhart has got to Clapham Junction. By getting there he has bridged what would be a gulf of perhaps twenty years in this country or any of the Dominions. He has taken the first step which counts. What he has done constitutes one of those events which the Social Credit Movement did nothing to bring about (except by its educational activities during the fifteen years spoken of). He has presented the Movement with a Legislature containing a large majority willing to act by the advice of the Secretariat. For so long as that situation continues the whole function of the Secretariat is to give advice. In the meantime, rank-and-file Social Creditors everywhere outside Alberta may now do what they like or nothing at all—they can save their expenditure of effort and money on organisation—because the only action that matters at present is action in Alberta; and the cost of promoting that action is nothing more than the mental effort of those who advise it. The Alberta Government and people bear the burden of supplying the money and doing the work.

One result of this is that the Secretariat are able to effect substantial reductions in their financial budget. Since their inauguration in 1933 they have raised from the Movement in *each year* as much money as was raised altogether from the Movement during the eleven years before the Buxton Conference. That is a tenfold expansion of the old rate of expenditure.

Now, reverting to the coming test case, if the empowerment legislation were to be upheld by the Supreme Court the question would still remain: How soon afterwards could dividend-legislation be enacted and operated? Time is the essence of the contract. For if the people who need dividends must wait for events to force their rulers to issue them the *raison d'etre* of any actionist Social Credit organisation at all disappears. Organisation is a time-saving device or it is an imposture.

On September 9 we recorded Douglas's published statement that Aberhart could have paid out dividends two months after his electoral victory if he had started at once and on the right lines. This time-table allowed no delay in arguing about Constitutional obstacles. It assumed that they did not exist or could be ignored. If that assumption was correct in 1935 it is correct to-day. The coming test case will settle whether it was or not. Fortunately the case will be dealt with in January. But whichever way the judgment goes we must expect an appeal to the Privy Council. Can nothing be done, in that event, to link up dividends with empowerment? As we pointed out repeatedly in our September issues, and again last week, the Alberta Government is not formally committed to any Social Credit plan, or to Social Credit principles, much less to any time-table.

Again, supposing that eventually the empowerment legislation is upheld by the Privy Council in, say, six months' time, it will recognise the right, not only of Alberta to implement it, but the right of every other province to do the same. But whereas this right would facilitate the progress of a Social Credit government towards the dividend it could be used by other provincial governments to arrest Alberta's progress. If bankers and newspaper proprietors are able to assure themselves that these other governments will not go in for dividend-legislation they will assent most cheerfully to the empowerment-legislation—though in public they would raise protests in order that the governments should appear to overcome them. The bankers would admit Government nominees on to their boards, because they would virtually choose them themselves. They would submit to licence duties because they would virtually control the expenditure of the proceeds. As for legislation affecting newspapers, it would be superfluous, because no journalist would have any reason to misrepresent the policy of the (postulated) tame governments.

In such an event it needs little reflection to see that Alberta's contemplated dividend-legislation could be held up by the other provinces, and through the exercise of the very powers which Alberta is now demanding on their behalf as well as her own. The ostensible suppression of the banks in these surrounding provinces would provide the bankers with an alibi.

Alberta, by arguing about empowerment alone, irrespective of how other provinces will use it if they get it, is setting a precedent for arguing dividend-legislation in the same way later on. Alberta's first duty is to herself. Let her demand empowerment together with dividend legislation, and make it clear that the empowerment is not wanted for any other purpose than for the issue of dividends within a defined period—whether two months or six or whatever it may be.

The electors of Alberta were buyers, and Aberhart's Social Credit League were sellers, of tickets to Plymouth. That is how Aberhart got to Clapham Junction. Instead of proceeding to Plymouth in two months, he is now, after a delay of 28 months, seeking the right to reach Basingstoke. But that is no use to his ticket-holders unless the Basingstoke-Plymouth section is also declared open. They are entitled to a guarantee that they will not be held up at Basingstoke under the pretence that it is necessary to wait for trains to arrive from the other provinces whose tickets do not take them further.

Prospective and Retrospective Points of View.

Chap. I. of Part II. of "Social Credit" deals with "The Working of the Money System." On pages 84-85, we find the following: "If on a given day, there was extant in the world, sufficient money to buy all the goods in the world at the prices it had cost to produce those goods, and any portion of that money were applied to form the payment for the production of new goods, then that money so applied forms the costs of the new goods, and immediately there is a disparity between the total *costs*, which are the minimum total *prices* of goods, and the amount of money in the world which would, ex hypothesi, be exactly the same as before. This would be true even if no one "saved" any *further* quantity of money. The persons who had saved the money would not have saved the goods which the original money represented, they would merely have transferred their claims from the original goods in existence to new goods, and could only "get their money back" by the sale of those goods; nor would there be any mechanism in existence by which the old goods could be bought. That surely must be self-evident."

Now if the invested money is used as working capital for existing plant, i.e., used to pay wages for the production of additional consumable products, this is unquestionably true. Mr. P. W. Martin has placed this fact beyond question in Chap. III. of his book, "The Flaw in the Price System," and any sceptics yet remaining should do as he suggests, take some counters, some slips of paper and a pencil, and put the matter beyond controversy.

But if the invested money is used to purchase new plant the case is not so simple. All finished goods, whether consumable or capital, must ultimately be paid for by consumers; there is no one else to pay for them—unless banking institutions do so with new money and hold the scrip indefinitely. So when consumers, as investors, purchase finished capital products, they defray the cost of them; and our orthodox opponents would have us believe that that is the end of the transaction.

On the contrary, it marks the beginning of a new phase. The investors have now become producers, and they—or their agents, the Board of Directors—are under an obligation to recover a sum at least equal to the price of the capital assets during the profitable lifetime of those assets.

Now this procedure, from a retrospective point of view, amounts to the recovery of the original cost of the capital assets from the incomes of consumers over a fairly lengthy period. At the end of it the investors have, in effect, sold the factory to consumers in general; they can, if they wish, retire from the scene with their original financial capital in their pockets, leaving nothing but a derelict factory on the horizon to mark the scene of their industrial adventure.

But investors do not normally wish to act in this way, and this retrospective view of their activities is unrealistic. Normally, the investors will wish to renew the factory. They will say they have not charged consumers with the original cost of the first factory; they have charged consumers *in advance* with the cost of a new factory to take its place. This prospective view is, of course, realistic. Where the retrospective view is not.

But, so far as the real problem is concerned, it makes no difference whatever which view is taken, so long as an observer states his viewpoint and keeps to it. The investment of any sum in capital assets places the investors under an obligation (if they are to remain solvent) to recover that sum, via depreciation charges in future prices, from consumers in general; and, assuming a balance to begin with between outstanding incomes and outstanding costs, as in the passage quoted, the sum cannot be recovered without diminishing incomes relatively to outstanding costs. That solid fact remains whether it is viewed in prospect or in retrospect.

To say that this situation can be rendered innocuous by the prompt investment of the depreciation charges, so that the money is continuously returned to consumers, is to miss the point of the objection. Assuming still that a balanced state of incomes and costs obtains to start with, the prompt investment must be investment in *new* capital assets; from which it follows that an expanding system is only self-liquidating if it continues to expand at an increasing rate. Even then, it must for ever fail to be self-liquidating, because new capital assets are useless without new working capital, and the conversion of any income into working capital (or, as Mr. Llewellyn once put it, the conversion of kinetic money into potential money) necessarily increases the ratio of costs to incomes.

So we come back to the question: "Does the investment of consumer income in capital assets increase outstanding costs by that amount? Retrospectively, yes. Prospectively, no. But, prospectively, it creates a liability to levy charges to that amount in the future.

Does it matter much to the unfortunate consumer whether we call it a "capital cost" or not?

A. W. COLEMAN.

LETTERS TO THE EDITOR.

CAPITAL CONSUMPTION.

Sir,—With great rejoicing I read the short article, "The Consumption of Capital." THE NEW AGE is soaring upward towards the light! The exposition in the leading Social Credit journal of the fact that all production is capital is a great step forward.

As the writer of the article states, it is quite true that the financing of the stamping machine is exactly the same as the financing of utensils. That truth contains within it the answer to the problem posed at the end of the article: "if the cost of the machine could be recovered from the community, so could that of the alternative utensils. If not, why not?"

It is an axiom that "the cost of production is consumption" (this can truly be called the Just Cost.) In the light of your contributor's brilliant little essay, therefore, it is obvious that the price of the machine bears the same relation to its costs as does that of the consumable utensils. The only distinction, which is not a difference, is that the capital machine demands from the community the payment (in excess of its Just Cost) of a recurrent rental of so much per cent. per annum, whereas the flow of consumable utensils demands a flow of profits of so much per cent. per item (also in excess of the Just Cost). So, as all production is capital, and all capital is debt, so all production is debt, and the debt is only non-extinguishable by the sum charged for the use of the loan.

In simple truth, the Just Cost is payable over the counter in prices, both of capital machine and consumable utensils. The extraneous costs—the rent, interest or profits not contained in the distributed Just Cost—are not available.

The Just Cost of production (which is the cost of the consumption of goods and energy) equals the Just Price. Therefore, the Just Cost of both machine and utensils could be recovered from the community in prices, but not the Just Cost plus interest or profit.

GLADYS F. BING.

Editorial Notices.

I.

The present number of "THE NEW AGE" contains an inset proof of the earliest Social Credit pamphlet: *"Through Consumption to Prosperity,"* which has been reprinted owing to a recent revival of the demand for information about the essential principles of Social Credit.

Every subscriber will be supplied with five copies gratis, if requested, before January 31st, 1938. After that date, copies reserved for them will be placed by the New Age Social Credit Society in quarters where they will be most effective.

II.

Next week's number of "THE NEW AGE" will not be circulated to subscribers.

Only one copy will be immediately issued; and it will be sent to Mr. Montagu Norman. A duplicate will be sent to the British Museum Librarian some time later—the time to be decided by the course of events.

ARTHUR BRENTON.

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