

# THE NEW AGE

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### Alberta and Ottawa.

"Give us guns,' a man shouted; but Mr. Aberhart replied: 'No, none of that. This is not a matter for bloodshed: it is a constitutional matter. We'll stand by the constitution, though we'll fight it. Let no person suggest that we are going to secede. We may disagree with the Federal prejudices, but we stand together.'"—*Daily Mail*, August 19, 1937.

"The Federal Cabinet's action last night in disallowing the legislation was on the recommendation of Mr. Lapointe, Minister of Justice, who declared that Alberta was 'deliberately attempting to interfere with the operation of Dominion laws and substitute laws and institutions of its own.'"—*Daily Mail*, August 19, 1937.

"Canadian bank shares were unaffected yesterday on the news that Mr. Aberhart . . . has refused Mr. Mackenzie King's request to submit his projected bank-legislation to the Supreme Court for a ruling as to its constitutionality.'"—*Daily Express*, August 19, 1937.

" . . . the Federal authorities could, as a last resort, cut off financial assistance. This power is very important at the present time, as Alberta has suffered from a succession of poor crops, and the population have now discovered that the Social Credit promises of dividends . . . are no cure for pressing economic and financial problems."—*City Editor*, *Daily Express*, August 19, 1937.

" . . . the banks concerned would probably close their branches in Alberta without much loss to themselves, but with disastrous results to the community."—*City Editor*, *Daily Express*, August 19, 1937.

The writer of the leading article on the Albertan situation in *The Times* of August 18, after devoting the first part of it to constitutional issues suddenly and inconsequentially finished up with references to the poor crops in Alberta this season. We notice that the *Daily Mail* and the *Daily Express* (and presumably other popular newspapers) are tolling the bell over these poor crops. Since they have evidently taken their cue from *The Times* in featuring this topic, one may infer that what they say about it is indicative of the purpose for which *The Times* raised it. Well, the substance of what they say is that the poor crops will force the Albertan Government to seek financial assistance long before they could hope to assist themselves by a Social Credit system of finance. In other words Providence has intervened to save the constitution. It is a British North American Act of God.

It will be pertinent to observe here that we have, on other occasions, heard the same newspapers tolling the same bell over rich crops, whether in Alberta or elsewhere. But let that pass for the moment. It is more

convenient to the bankers for Alberta to encounter a financial crisis coincidentally with a bad harvest. It looks more natural, and it takes some of the edge off the Social Credit slogan: "Poverty amidst Plenty."

\* \* \*

In the leading article just referred to the following passage occurs:

" . . . the Canadian Constitution, as defined by the British North America Act, very explicitly includes banking among the subjects which are to be 'under the executive legislative authority of the Parliament of Canada.'"

But on September 21, 1935, Mr. Mackenzie King, in his pre-election address at Saskatoon used words whose plain meaning was that banking is *not* under the authority of the Dominion Government. He said:

"I plead for a sweeping Liberal victory to carry out my policy of public control of currency and credit. Until the control of currency and credit is restored to the Government all talk of Sovereignty of Parliament and Democracy is idle and futile."

So Mr. Mackenzie King, by his disallowance of Mr. Aberhart's legislation, places himself in the following position:

I have the right under the Constitution to control banking throughout the Dominion.  
I have not the power to exercise that right.  
I am not taking any steps to acquire that power.  
I forbid you to take such steps.

Clearly Mr. Aberhart can claim in reply:

"If you have no intention to exercise your right as Premier of the Dominion, then this right becomes the inheritance, through your default, of the Premiers of the several Provinces which constitute the Dominion. I, as Premier of Alberta, therefore have the right to control banking in Alberta. If you deny me that right you are denying it to the other Premiers of the Provinces. Therefore you are denying it to the Legislatures and peoples of these provinces—that is, to the people of Canada as a whole.  
"In other words you are invoking the Constitution to prevent the fulfilment of the Constitution."

The technical control of the business of banking cannot be separated from legal authority over persons engaged in that business. No Government can control banking without controlling bankers. If Mr. Mackenzie King is unable or unwilling to exercise control over bankers on a centralised basis, and at the same time forbids its exercise on a decentralised basis, he is renouncing as for himself, and imposing renunciation on Provincial Premiers, of a right recognised "very explicitly" by the

Canadian Constitution. *We submit that the renunciation of a constitutional right is an unconstitutional act.* And we therefore claim that Mr. Aberhart and his Government are come, not to destroy, but to fulfil the law of constitutionalism. No ruling of any Supreme Court is required on this issue.

Again, assuming that the British North America Act is synonymous with the "Constitution" in this connection (a matter of doubt) it must be remembered that when it was passed practically nobody—not even the majority of bankers themselves—knew what "banking" was in its wider implications as understood today. The general idea about a banker was as of someone who set up a building in which to mind people's money. So it appeared a right thing, and a feasible thing, to put this money-minding business under centralised Government control. Assentors to the Act had in front of their minds the desirability of regulating the minding of money, but no-one except the few inspirers of the Act realised that the minders of money were also the manufacturers of money. The consequence was that while the *minding* was intentionally and unmistakably put under the law the manufacturing was not—that is to say, it was absentmindedly left an open question.

And we would wager that if the Supreme Court were set to work to interpret the Constitution by reference to the Act the judges would arrive at a judgment prohibiting the Dominion Government from regulating the manufacture of money. For reasons just given they would be almost certain to come to the conclusion that the regulation of manufacture was not contemplated by the assentors to the Act. For this is probably the truth. And the judges would hold that what was not contemplated when the "Constitution" was written is not necessarily a constitutional right, and that therefore the question of whether a Government should regulate the manufacture is one to be decided on current grounds of public policy. Needless to say, the opinions of these legal luminaries on this aspect of the matter would reflect the opinions of the bankers. For confirmation of this you have only to read the judgments in favour of the Bank of Portugal in the Waterlow Appeal in the House of Lords. One of the judges pointed out (among other things that ain't so!) that notes in the possession of a bank of issue could be used by the bank to buy foreign exchange. That was as much as to say that the Bank of Portugal could directly convert its notes into claims on gold held by other central banks. And it was on that ground among others that he found the value of the note to be its face value and not its value as "printed stationery." You cannot expect more wisdom in Ottawa than in London; and the thoughtful Canadian citizen, looking through the list of judges qualified to test the legality of Alberta's recent legislation might well adopt and adapt the historic exclamation: "I don't know what my oppressors think of these learned protectors of my liberties; but, boy, do they terrify me?" However, we may be doing them an injustice; for the obvious moral of the conflicting judgments in the Waterlow case was that judges ought to attend evening classes on finance—and it may be that they have heeded it. Let us hope so.

Mr. Mackenzie King is only justified in prohibiting Mr. Aberhart from regulating banking on the ground that he himself is going to do it, and without delay. The Constitution makes the Dominion Government the trustee of the rights of the Provincial Governments. Of those rights the chief is that of encouraging and assisting the people of each province to gain access to the resources of that province and convert them to their own beneficial use. The implement of such access and conversion is Credit. If Mr. Mackenzie King will bring about the setting up of a Dominion Credit Power-Station, Mr. Aberhart will be quite content to take his supply from the grid. But if not Mr. Aberhart will set up an Alberta Credit Power-Station. To say that he

must not is like saying that Albertans must not eat their own breakfasts without forks which they must not make, and must pledge their breakfasts to borrow.

The analogy with electricity is, however, inadequate. Credit costs nothing to generate and distribute. Further, the generator can be situated in any place you like. Or there can be many generators in many places. That is because fundamentally the grid is immaterial in nature—the transmission system is composed of something which may be defined as the willingness of people to use what is transmitted. The pattern of the grid is the pattern of society. Further, this is nearly true of the visible tokens of Credit. For all systems of communication at the disposal of society are likewise and incidentally transmission systems for Credit-tokens.

So Credit (and its tokens) may be generated anywhere and distributed anywhere provided that people consent to use it. Edmonton could be the source of supply just as well as Ottawa or Montreal—yes, and for all Canada. As for transmission, the banks are a convenience but are not indispensable. They are like the London Bus Service which Londoners found they could do without when they had to do without it. If, as one newspaper hints, the Albertan banks closed down, it would mean simply that the bankers there (and employees) went on strike. But, with notice, the Government could occupy and staff the vacated premises with less difficulty than the Transport Board could have operated their idle buses. Moreover, the results of the strike need not constitute an unmixed "disaster," because though bankers on strike would cease to issue loans, Government would hardly assist them to recall loans, and might excuse borrowers from repaying them. Or they might impound the repayments and issue them to would-be borrowers.

Of course, everything depends on the consent of the people affected. The problem of winning their consent and sustaining their resolution is a big one and must be solved first. Nevertheless the chief factor in the solution of this problem is the exploration and dissemination of knowledge about what a Government will be able to do for the people given the consent of the people. We see that Mr. Aberhart reproved a member of his audience at a meeting who called out: "Give us guns." That demand was premature, and, one hopes, unnecessary. But if made in earnest it is a good sign, for it betokened resolution to carry on the political struggle to the point where one side or the other abandoned argument for brute force. That side would be the bankers, while our side have many arguments and no guns. Nevertheless there is this snag for the bankers, namely that when guns go off somebody gets hit—and, by some ironical twist in the law of chance, the somebody who is hit is usually a poor innocent who, as the Irishman might say, hasn't got a ticket for the riot. This would be an embarrassment to the shooting party were supporting circumstances, but it would be disastrous in circumstances where (as in Alberta) the shooting party were supporting the imposition of a system from which the whole electorate had demanded release by a constitutional vote. "You cannot indict a whole nation," declared Burke on a historic occasion. And that is true of the Province of Alberta, and will remain true while the people maintain their present unity. And it is particularly true in view of the fact pointed out earlier that Mr. Aberhart is repairing Mr. Mackenzie King's omission to exercise his constitutional right, and fulfil his electoral promise, to resume control of currency and credit. The picture of a Dominion defaulter firing on the provincial victims of his default because they were trying to mitigate the consequences would take a much longer time to live down than the offender has time to live.

We said just now that Edmonton would serve as a Canadian credit-centre. What we meant was that it

## LETTERS TO THE EDITOR.

### NON-STOP DEBATE

Sir,—Surely the "New Age" is a paper for sophisticated Social Creditors or am I mistaken? If I am right, it seems absurd to waste valuable space arguing about a theorem on which at least 99 per cent. of your readers must agree.

BERTRAM H. VOS.

[It is of political importance at the present time that Social Creditors should not lay themselves open to the charge that they shirk meeting criticism of the Douglas Theorem. The present opposition to the Alberta Government is, or will be, founded on the suggestion or insinuation that even if that Government were allowed every facility for establishing Social Credit they would fail to deliver the goods because the Douglas Theorem is technically unsound. Social Creditors have two options: (a) to ignore this suggestion and do not discuss its effects. They cannot mix the two policies. They cannot go to the public and say: "We refuse to discuss the soundness of Social Credit but want you to come in and back our demand for it." Any reason that they give for not discussing it could be countered by the enemy with the assertion that they were afraid to do so. And it is beyond all question that the public would accept that assertion as the most credible explanation. Tactically, it is fatal to tell the public that they are incompetent to verify or to otherwise the soundness of Social Credit; and even if not this would not establish, to their minds, the competence of Social Creditors themselves to verify it. No; Social Creditors must at least make a display of their readiness to meet criticism. The debating might be largely unenlightening from the immediate point of view of technical education, but the fact that the debating was going on would inspire confidence among the public regardless of whether they listened in or not. They would say: "At any rate, these fellows are sticking up for their Theorem against criticism from all quarters, so they must feel confident about it." To win confidence you must display confidence.

These arguments, of course, rest on the assumption (to which the movement is officially committed) that the putting in of Social Credit depends on the prior mobilisation of public pressure through the ballot-box—dealing in majorities. In that case the game must be played according to the traditional rules of the game; and those rules do not permit sponsors of any policy—Social Credit or otherwise—to take up the public attitude: "We're not arguing; we're telling you," and get away with it.—Ed.]

### ARMS AND THE DIVIDEND

Sir,—Under this heading in March 18 issue I read with much interest your reply to "Budget." There is a small Social Credit Group here and we want to understand just these particular points involved in the Social Credit solution. I look on "shells" just as capacity to produce and that, as I see it, is where the "enrichment" comes in. This 500 dollars referred to should be represented in the Real Credit Budget whether produced or not—the purchasing power would be a matter of adjustment between discount and dividend. Am I right?

We know that Canada can support a very much larger population. Does the "Food, Clothing, and Shelter" which a country itself can provide determine approximately its population and how it can use its surplus labour in developing its resources, services, etc., as required, by means of the "National Credit Account"? T. E. D. W.

[Your phrase "whether produced or not" is not clear to us. In estimating the Price-Discount ratio it is wealth actually produced and wealth actually consumed that is measured. You cannot measure, in terms of cost, wealth which has not been produced. Nor, of course, would you want to calculate and issue a Dividend in respect of wealth not produced.

In a world living under the Social Credit system you could have such a thing as a community flourishing in a country which did not contain any resources convertible into Food, Clothing, and Shelter. Say a colony of painters, musicians, writers, etc. They could barter with the outside world the products of their genius for the material means of life. This hypothetical case sounds fantastic, but it is given to clarify the truth that under Social Credit it will not matter where the natural resources necessary to mankind happen to be situated.—Ed.]

### CAPITAL AND PRICES.

Sir,—Agreed that, as your footnote to my letter last week says, at the end of a "cycle" the money is repaid to the bank. Why not? It is not required to represent real

Social Credit gets a practical start in Alberta, the Government could give price-assistance to exporters and offer to lend credit to importers in other provinces. In effect this might mean making a present of the exports, depending on the terms of the loan. But the point is not the return for the exports, it is the value of the gesture of a Social Credit province, bankrupt by orthodox standards, offering to finance "backward provinces." And another point is the commotion that would be set up in those provinces; for they are debarred by the Constitution from setting up tariffs. Consumers would welcome the offered imports, and producers would object to them. Nothing could be done by political means to meet the difficulty short of asking the Dominion Government to alter the Constitution to permit tariffs. But non-political means could be applied; e.g., the raising of freight-rates by the railway combine to offset the saving in price to importers; but if that were done it would reveal the exploitation of private monopolistic powers for political purposes—an unholy alliance between the banks and the railways.

We do not say that Alberta could start this going straight away to a serious extent, but we think it important to focus attention on the potentialities inherent in the applied principles of Social Credit. A Social Credit State can undersell producers in other States, and in Canada, which is composed of small States, fiscally unprotected, this is a potent weapon for teaching them common sense.

(LATER.)

On going to Press we learn that Mr. Aberhart declared a moratorium last Saturday to prevent the money going out of Alberta to external lenders. The term is six months, but may be extended to twelve. This extends the logic of the earlier legislation. It is a tacit affirmation of the right of the people to control the conditions under which Credit is issued and recalled. In operation, it would arrest the deflationary process of debt-reduction, and therefore bring about a condition of relative credit-expansion, in Alberta. Readers will note that our speculative remark about the Government's "impounding" debts during a bankers' strike was not far off the mark. The only difference is that the Government have struck first.

The *News Chronicle* in a leaderette (August 23) thinks that Mr. Aberhart's legislation has put an end to the possibility of introducing Social Credit in Alberta. It is a pity, it says, that the attempt has been made by a Government which has not the legal power to carry it out. The reason it gives is that in the event of failure Social Creditors can still go about saying that Social Credit has not been disproved because it has not been tried. The writer might have put it more strongly and said: "because Social Credit has not been introduced." For, inspiring as the Government's legislative gestures have been, these do not embody the essential principle of Social Credit—namely the Dividend-Discount mechanism for internal distribution of goods to consumers.

We think that the Government ought to repair this omission by further legislation. Granted that the immediate distribution of Dividends may not be feasible, it remains to be seen whether the Government's other measures are feasible either. We would like to see them declare a Dividend and try to distribute it coincidentally with their attempts to implement their other legislation. For then the manoeuvres of the bankers can be ascribed to their objection to Social Credit, whereas at present they can only be ascribed to their objection to losing control of policy. Governmental control of banking is not in itself a guarantee of Social Credit. For that reason we feel that the Government should legislatively link the Dividend with their demand to control credit.

wealth. Taking my illustration, the machine has been acquired by me, the boots by others.

Douglas sees that the money for the boots should be retired; he cannot see that equally so should it be in respect of the machine because he thinks I have now to sell it to consumers, a complete misapprehension.

I do not want to sell it; therefore, to give money to consumers representing its value just because I own it would be either giving them the wherewithal to acquire for nothing something which cost me £100—if I would sell—or increasing the money in the consumers' market without any increase in the commodities for sale there. Pure inflation.

If an owner does wish to sell his capital holdings he finds another investor who, in his turn, relinquishes the right to immediate consumption. Investors do not "give" their Fixed Capital to the community any more than a man who buys a house to live in does so.

Your question as to whether the community produces too much of the means to production is an interesting one, but is, I submit, beside the main Social Credit point. The community as a whole certainly obtains the plant, although, in a capitalist society, most of it is owned by few, and we leave it to individuals to decide what type of production they will support with their money. No doubt they make mistakes—sometimes anti-socially. But their actions cause no "deficiency" of consumers' purchasing power.

J. A. FRANKLIN.

[Our reference to the over-production of Fixed Capital was intended to be considered as a confirmation of the "deficiency" theory.]

If we were in charge of a factory acquired by Mr. Franklin we should be under the obligation of charging in prices margins to cover the following:

1. Fire and other directly insurable risks to the property.
2. Risk of being put out of business whether because some other and more efficient factory rendered his obsolete, or because a change in public demand rendered his products out of date. (Remember the fate of the old hairpin factories when the girls fancied having their heads bobbed!)

This first risk we should cover in the ordinary way, paying premiums to insurance companies. The second we should cover by allocating to reserves out of profits as much money as Mr. Franklin would forgo patiently. Those reserves would take the form of investments in other Fixed Capital than his.

Both these charges would be paid by the public who bought his products or things made with them. In effect, we should be making the public invest in other Fixed Capital in order to be able to return Mr. Franklin his money if we were forced to close down his factory. In that event we might not recover any money at all for his factory. Hence prudence would constrain us to invest in as much other Fixed Capital as could be readily converted into money sufficient to reimburse Mr. Franklin. And that is the ideal position which every management seeks to attain on behalf of shareholders. Insofar as they succeed the public pay out of their earned income.

Hence, though it be true that we should not directly charge for Mr. Franklin's Fixed Capital, we should yet make a charge for the purpose of acquiring other Fixed Capital—which amounts to the same thing so far as the fleecing of the public is concerned.—Ed.]

Sir,—May I ask your correspondent Mr. J. A. Franklin where the real difference lies between charging consumers replacement costs and selling the machine to consumers? According to his own statement the £100 I pay to people to build me a machine is spent by the recipients on the boots—or equivalent goods—which otherwise I would have bought. It is, consequently, no longer in the hands of consumers when, at a later date, "I charge them depreciation or replacement costs." That is the point; for it is then clear that I can only succeed in collecting these costs at the price of failure to do so at some other point in the industrial system. Only if new capital is being financed at the same time by new money could this failure be averted. The result of this necessity—under the present system—is the creation of redundant fixed capital, as you have pointed out.

This leads to a question I have long wished to ask an orthodox economist, and which Mr. Franklin, who apparently accepts the orthodox position, will doubtless be able to answer.

The question, then, is this: If, according to orthodoxy, industry is self-liquidating, is it considered to be so when new capital is financed from investors' savings; or, alternatively, when it is financed by loans (new money) borrowed from the banks? For if industry is self-liquidating when

financed by savings, then clearly new money borrowed to finance capital construction at any time would result in inflation. If on the other hand it is necessary, for self-liquidation, to borrow new money for capital construction, then all financing of capital goods from savings would result in shortage of purchasing power.

We know, as a matter of fact, that both methods are employed. In which case, could Mr. Franklin tell me, further, what department of the Bank, or the Treasury, is engaged in making the delicate adjustments that would be necessary to preserve self-liquidation in these circumstances?

B. C. BEST.

Sir,—Mr. Franklin, in his letter on "Capital and Prices," surely gives away his own case when he states "I charge them depreciation or replacement costs and I pay them that money in return for the maintenance and replacement work." Mr. Franklin does not seem to appreciate the difficulty which this process involves. There are two types of costs: (1) those which before being claimed in prices are paid out; (2) those which, like depreciation, are claimed in prices before any outpayments have been made in respect of them. So long as costs in the second category exist, the rate of flow of prices will exceed the rate of flow of purchasing power, with the result that the level of prices will tend periodically to fall below the level of an economic return.

In putting forward this argument I am, of course, disregarding changes in credit conditions. Prices may be temporarily saved by public expenditure such as is now taking place, but in the final reckoning there will be an intensification of the difficulty and a relapse into slump conditions.

L. C. J.

Sir,—It is such a grave reflection upon S.C. propaganda that an enquirer with the interest and intelligence of Mr. Franklin should still remain so ignorant of the functions of money that, as a new economist and a Socialist, I feel impelled to try and elucidate for him the point of Social Credit and the finance of the Socialism which, I believe, he professes.

Mr. Franklin, like John Strachey, J. A. Hobson, and other advocates of Capitalist finance who imagine they are Socialists, always states his examples and parables as if interest and profit were not the prime motive of all investment.

Mr. Franklin's latest is that if he buys a £100 machine with money he has earned, then at no time does he charge into the product the cost of the machine. He says he only charges the maintenance and depreciation costs. If that were true, then the poor gentleman would simply die of starvation.

No investor can live without getting a profit on his investment. On the £100 machine he does, in actual fact, charge the consumer not only depreciation and maintenance costs but, in addition, he charges £5 per annum interest on his outlay in excess of the £100 he has invested. He has to do this in order to live on his investments. Thus he does eventually arrive at the position Mr. Franklin calls "happy but fantastic," namely: he owns his machine and he has lived upon the money he paid for it. That is the motive of investment: to charge the community for the use of privately-claimed capital wealth.

GLADYS F. BING.

## Non-Stop Debate

We have printed the above letters as a sample. They have not been edited—with the exception of the last, which we have divided into two parts, the second of which we will publish next week. Readers have now a rough picture of what the suggested monthly supplement would look like. Will they tell us what they think of it?

We agree with our correspondent, Mr. Vos, that space must not be "wasted." Will he indicate where the "waste" is in this issue? We ask this, not as a challenge, but because we are considering making contributors pay for the publication of letters which fail to reach a certain standard of value to our readers generally. We therefore want to know what our readers think about the value of the present batch.

We should explain that what we hope for is to issue the monthly "debate" supplement in addition to the weekly number of "The New Age."

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