THE
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INCORPORATING "CREDIT POWER."

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CONTENTS.

Social Credit and the Press

On August 20 the *Winnipeg Free Press* published a leading article entitled: "Mr. McKenna on Social Credit," On September 2 it published another entitled: "Press Freedom in Alberta." The first we will deal with later. The second we reprint in full hereunder.*

PRESS FREEDOM IN ALBERTA

Control of the sources of public information—newspapers and radio—has always been part of the technique of introducing Social Credit, at least as envisaged by Major Douglas. When Douglas reported to the government of Alberta in 1935 "on the possibilities of the application of Social Credit principles" to that province, the first of his three recommendations for action was:

"The systematic provision of a news circulating system under the unchallengeable control of the province, particularly in regard to radio facilities of sufficient power to cover wide geographical area."

This advice, originally offered to the U.F.A. government which preceded the Social Credit regime, was repeated to Mr. Aberhart and Mr. Aberhart acted upon it. He already had, in the Prophetic Bible Institute at Calgary, a radio station strong enough to cover the province. He proceeded to acquire for the Social Credit party an interest in the *Calgary Albertan*, which newspaper is now an "official organ" as no other Canadian paper is.

But control of only one of Alberta's six dailies has not been enough for Mr. Aberhart. Repeatedly he has threatened to pass legislation bringing all the papers in the province under a licensing plan, which means government censorship. These threats may have been made on advice from Douglas. At any rate Douglas has now openly proposed control of the Press. After the passage of the bank-licensing law in Alberta, he cabled to Mr. Aberhart: "Great work. Rush appointment bank directors. Pass Press act." The cable reached Edmonton after the legislature had adjourned, but another special session has been called. At this session, according to an Edmonton report, the Social Creditors may take Douglas's advice. "Press act" might mean any of several things, but Douglas means a law which would destroy the freedom of Alberta's newspapers and force them to take orders from the government.

THE NEW AGE, of London, a Social Credit weekly, had an article in its issue of August 19 anticipating such action. This article is an ingenious, but fantastic, attempt to prove that suppression of the freedom of the Press, while it would be wrong anywhere else, is in order and desirable in Alberta. THE NEW AGE concedes that the censorship of Liberal newspapers supporting free trade by a Conservative government supporting protection would be outrageous. Such censorship, says THE NEW AGE, would enable "a particular set of interests in temporary political power" to take away the "means of self-protection" from another set. But the Social Credit government is in a class by itself. Nobody can say "it threatens any one economic interest more than another," which reads like a left-handed compliment. "For the first time in history," THE NEW AGE declares, "we have a government representative of a universal common interest—the interest of consumers." That being so, suppression of newspaper liberty is justified in Alberta as it would not be in a community governed by a party with a class bias.

This dreadful nonsense is on a par with other Social Credit arguments as to accuracy in facts and cogency in logic. To begin with, the proposition that the Social Credit Government represents "a universal common interest" is a claim which can be made, and is, for every government on earth, from Moscow to Manitoba. And almost any government one might name could make that claim for itself with less fear of contradiction than Mr. Aberhart and his colleagues. Thousands of people in Alberta think that Mr. Aberhart, far from representing their interest, threatens their livelihood. It is a safe statement that the proportion of people who are afraid of being ruined by their government is higher in Alberta than in any other province in Canada. These citizens of Alberta might agree with THE NEW AGE that Mr. Aberhart does not threaten any one economic interest more than another, but they would mean it in a different sense. They would mean that Mr. Aberhart is a menace to everybody, debtors and creditors, bankers and merchants, farmers and townspeople alike.

That very fact, the very existence of criticism of Mr. Aberhart in Alberta, nullifies the argument of THE NEW AGE. For the proposition it advances as a reason for suppressing political debate in Alberta—that Mr. Aberhart represents all the people—is precisely the subject matter of politics. Every government pretends to act for the common welfare. The right of free speech is the right to combat that claim. If the making of the claim is sufficient to justify the suppression of freedom of

[*The *Leader-Post* of Regina, Sask., published on September 1 a leading article entitled "Strange Ideas," in which THE NEW AGE is criticised on lines closely resembling those followed by the *Winnipeg Free Press*. Our comments later will serve for both articles. We need only add here that in our judgment there will be no need for regulating the Press so long as it refrains from publishing *bought views based on cooked news* concerning the action announced or taken by the Douglas-Aberhart Government. Will Canadian editors take particular notice of this italicised phrase?—ED.]

speech, there is no argument for freedom of speech anywhere. Thus the syllogism of THE NEW AGE turns out to be merely a variant of the argument, advanced in favour of every autocrat or would-be autocrat, that the public cannot be trusted to discuss public policy. THE NEW AGE having given a lead, Mr. Aberhart will probably be heard explaining to Alberta citizens that because he represents a " universal common interest " the newspapers must be controlled. Most of Mr. Aberhart's patter is imported and that phrase should be to his taste.

[*End of article.*]

Readers should note that the president and editor-in-chief of the *Winnipeg Free Press* is Dr. John W. Dafoe, who has recently been appointed by Mr. Mackenzie King as a member of the Royal Commission set up to overhaul the Canadian Constitution. That fact makes this article more significant than it would otherwise have been, for unquestionably it has been approved by Dr. Dafoe, if not written or inspired by him. No subordinate official in this newspaper would give THE NEW AGE all this publicity on his own initiative at any time, and particularly not at the present time when the subject matter touches high political issues in which the editor-in-chief is officially concerned as a Royal Commissioner. This suits us very well, for we like to deal with *persons;* and in dealing with Dr. Dafoe we are dealing not only with a person but with one having two sets of responsibilities both intimately connected with the subject of the present controversy.

* * *

We have no general complaint to make of the way in which he summarises what we said on August 19. He however does not do full justice to our differentiation between a Social Credit policy and the policies of all Governments in the past. When he observes that " every Government on earth from Moscow to Manitoba " can claim to represent a " universal common interest " he is alluding to rhetorical professions concerning objectives, as is confirmed by his later remark that: " Every Government *pretends* to act for the common welfare." (Our italics.) We were not talking about rhetorical professions but about technical commitments. Dr. Dafoe's argument is only relevant to the question whether a " Social Credit " government intends to employ the authentic technique of Social Credit. We were not dealing with that question. We were assuming that the Government intended to employ it, just as a Protectionist government would employ the Tariff-technique. We hold that there is a fundamental distinction between these two techniques. The Social Credit technique begins with, and consists in, the offer of a benefit to every citizen without exception at one and the same time. No Government in the past has ever even pretended to make such an offer. Dr. Dafoe may reply that the offer cannot be fulfilled. But that is not the point. The point is that the fulfilment would be acclaimed as satisfying a universal common interest, and that its unfulfilment will be a universal disappointment. We would like to hear of any governmental policy in the past whose technique did not professedly impose sacrifices on some section or other of the community. Indeed, has not the highest ideal of sound government conceived in the past been formulated as: The greatest good to the greatest number? Whether in terms of Liberty or of Purchasing Power (and these two " goods " are identical) this meant that, as Augustine Birrell once said, " Minorities must always suffer."

* * *

Dr. Dafoe says that " thousands of people in Alberta think that Mr. Aberhart, far from representing their interest, threatens their livelihood," and goes on to suggest that they consider Mr. Aberhart " a menace to everybody." If so, it would be interesting to know how they get to thinking that way. On the face of it there is no threat to anyone's livelihood in the offer of a dividend. If people think there is the thought must have been put into their minds by something they have read in the newspapers. For example the *Winnipeg Free Press* of August 20 quotes a statement made by the Right Hon. Reginald McKenna on his arrival in Quebec just previously that: "the logical conclusion [of Social Credit in practice] " would be inflationary chaos." Well there is a disquieting flavour about this vision of (as Captain Boyle might say) " the whool of Alberta in a state of chassis," and we are prepared to believe that it will make some Alberta citizens nervous.

* * *

This brings us to the question whether the liberty of the Press in Alberta should be put under restraint by the Government. We have not yet argued that it should or should not. What we have tried to show is that in the present changed circumstances the old arguments against Governmental control have lost a good deal of their logical cogency or practical validity. The right of the Press to unfettered freedom is not the foregone conclusion that it was. If still claimed it must be re-argued on the new merits that the election of a Social Credit Government has brought into the field of survey. Perhaps the most important new consideration is this, that whereas under previous governments the rivalries of newspapers as mouthpieces of competing economic interests could be depended upon to obviate the danger of a collective abuse of Press freedom, a Social Credit government can easily become the object of a collective Press conspiracy. It would only need there to be an agreement between the various economic interests to discredit the Government, and the newspapers would fall into line. Old governments, it will be observed, escaped this danger precisely because they were subserving a particular set of economic interests whose newspaper-mouthpieces would of course stand by it. There could not be a general strike of the Press. But in Alberta there can, precisely because the Government is not subserving any particular set of economic interests, but only a common universal interest! It is of course equally true that the whole Press could unitedly support the Government; for, as we said on August 19, the Government does not threaten any interest more than another, and, as we will here add, offers to assist each as much as any other. So the Alberta Press can be united either for or against the Government.

* * *

But, and here comes the snag, these newspapers, for all their talk of " Freedom," may be placed under strong constraint to sabotage the experiment. They have difficulty enough in paying their way even when the bankers are benevolently neutral. If they succumb to the constraint what is the Government to do? Freedom of the Press would then be the freedom of a weapon wielded by the bankers. Obviously the Government must try to blunt its edge somehow, and the only way will be to prohibit certain uses to which it is being put.

* * *

What those uses may be we will not speculate about. That will transpire if or when a Bill to regulate the Press is introduced by the Government. Then it will be for the people to say whether the restraints to be imposed are reasonable. In the meantime we invite Dr. Dafoe to reflect that the autocratic principle which he dislikes so much seems to thrive pretty freely in the atmosphere of " Free Speech."

* * *

We will now deal with the article on Mr. McKenna. Speaking of his remarks Dr. Dafoe (to whom we attribute responsibility for what it says) remarks:

" They should help to revive discussion here on the economics of the Douglas scheme, a side of the question which has not got much notice lately, even in Alberta. The talk, especially since Major Douglas's ' experts ' came to Canada, has been of political strategy and constitutional rights. Mr. McKenna provides a reminder that Social Credit is an economic plan—not an exercise in tactics—when he says its ' logical conclusion would be inflationary chaos.' It may be hoped that Mr. McKenna will enlarge on that remark during his Canadian holiday and help to turn attention to the real Social Credit issue."

Later he quotes Mr. McKenna as having added that he " understood " the premises of Social Credit but did not accept the conclusions. Then he proceeds to point out that one Social Credit premise is that banks create money by making loans (which Mr. McKenna accepts) and that the conclusion (which Mr. McKenna rejects) is that *because* money can be easily manufactured it can and should be " doled out regularly to every inhabitant as a free gift." Dr. Dafoe states that Major Douglas admitted to the Macmillan Committeee that this, by itself, would cause inflation, but adds just afterwards: " Douglas claimed originality only for a scheme to prevent prices from rising." He then says that Douglas failed to persuade the Committee that this scheme was logical or practical—involving as it did the " fixing of all prices " and a " national book-keeping job of gigantic complexity."

* * *

The appearance of this article is important irrespective of its version of facts and quality of argument. It confirms what we have always maintained, namely, that the bankers' trump card is to say, and keep on saying, that Social Credit won't work. Dr. Dafoe puts it forward very forcibly:

" The truth is that Mr. Aberhart could not fulfil his election pledges if he were the autocrat of an independent nation, because the Social Credit theory, regardless of the B.N.A. Act and the Bank Act, is unsound. Mr. McKenna recalls that temporarily overlooked fact."

If, as looks probable, the bankers are going to rely on the reiteration of this statement, its cumulative effect on the minds of Canadian citizens generally will be difficult to counteract. It will come with authority, for the public regard the bankers as the proper, and the only competent, judges of technical soundness. It will come with plausibility because the teaching of Social Credit technique was officially banned in 1934, the putting in of Social Credit was not attempted in 1935, and is now being attempted only because of the revolt of early this year. We have always held that, no matter how few the types of mind that can grasp the technique, the Social Credit Movement's primary duty, both as educators and strategists, was to proclaim their belief in the technique on all possible occasions. The penalty of evading it is to give the bankers the opportunity of suggesting that Social Creditors have lost confidence in their own remedy.

* * *

Well, what is past is past. The best way to retrieve the position to-day, apart from resuming educational work, is to symbolise confidence by distributing Dividend-tokens in Alberta. The distribution could be fittingly celebrated by Mr. Aberhart by wireless from the pulpit of the Prophetic Bible Institute. He could read out from his Bible the vision of the Valley of Dry Bones. In his following discourse he could elaborate with impressive effect the passage: " Can these dry bones live?" and then the passage: " And God breathed into them the breath of life." He could apply the moral along such lines as these:—

Friends, you have to-day, each one, received your token of the Social Credit Dividend. The Powers of Evil scoff at us. But the voice of the People is the Voice of God, and if you have faith and courage you can imbue these tokens with the power of purchasing the things you stand in need of. You can breathe into these dry bones the breath of life.

We hope that Mr. Aberhart will pardon our presumption in offering to instruct him in the art of which he is master, but we are encouraged to do so by Dr. Dafoe's suggestion that " imported patter " is not beneath his notice. After all, the newspapers are full of patter put out by the bankers, and as bankers are foreigners (figuratively speaking) all this patter is imported.

When Major Douglas was in New Zealand early in 1934 we said in some article or other that Social Credit ought to be tried—whether right or wrong—if the people desired the trial to be made. We were thinking of New Zealand as a community who were few enough in number to be won over to the idea. Well, New Zealand is not ready yet, in this sense, so we turn to Alberta, which is. Why should not the Alberta Government demand of the Dominion Government and the Canadian Bankers facilities and moral support for a control-experiment on Social-Credit principles? To prevent " inflationary chaos," there could be a very small dividend (or discount), and there could be a Commission of Inquiry (members drawn from orthodox and Social Credit believers alike) to check up what happens. If chaos is inherent in Social Credit principles of technique it will be visibly incipient in the initial consequences of applying them. So why not have a try and see?

* * *

If Mr. McKenna's and Dr. Dafoe's remarks are going to be the keynote of the bankers' opposition the issue will be simplified. They amount to saying that Social Credit could not work even if all political impediments were removed. That being so the bankers can be invited to agree that if it *could* work (a) they would have no objection to it; and (b) it ought to be adopted not only in Alberta but throughout the world. That being settled, there would be two practical questions for them to answer: (a) What risks would be incurred by permitting it to be tried in Alberta? and (b) Are these risks worth taking in view of the consideration that Social Credit *might* succeed? Without disparaging orthodox experts, they might be wrong. And as for avoiding risks at all costs, is not the system we now live under packed full of risks? Moreover, is there any government run on orthodox lines that has ever given, or can give, specific guarantees of success if allowed a free hand? No, and we are going to assert that there is nothing they fear so much as to be allowed a free hand. They know that their policies are bound to evoke spontaneous resistance somewhere or other, and they welcome this resistance as an excuse for abandoning one policy for another equally worthless. As soon as their failure is on the point of becoming manifest they hold an election to get another mandate either for themselves or their friends the Opposition. Front-bench buck-passing.

* * *

We must all recognise that the soundness or otherwise of Social Credit cannot be proved or disproved to the satisfaction of any but a minority of a voting population. So unless we are to abandon all hope of ever getting it we must rely on persuading a majority to demand a trial. We have such a majority in Alberta. Let the trial be made there. The trial will prove the error, if there be one. And if there be one nobody can argue that it will suddenly plunge even Alberta into chaos, let alone the rest of Canada. In fact it is a favourable circumstance that the demand for the trial comes from a Province with so small a population and so few opportunities to disturb the balance of Dominion trade at short notice. We have there 300,000 families who simply want to feed themselves better on their own resources. That is the proposition. What's wrong about letting them try?

NOTICE.

"The New Age" of August 19, 1937

Will readers having spare copies of this issue send them in to our office for despatch to various points in Alberta and the rest of Canada. They will realise, in view of the reaction to our article in it of the *Winnipeg Free Press*, the importance of letting as many leaders of public opinion as possible there see the full text of what we wrote.

We take this opportunity of thanking readers who sent us in spare copies of December numbers in answer to our request.

The Overproduction of Capital.

The text of what follows below is intended to lead up to the proposition that, under the present system, energy applied to production tends to be diverted in greater and greater proportion to capital goods and in less and less proportion to consumable goods. This proposition is important to examine, because even if it be granted that the system distributes incomes equal to costs, it nevertheless provides the community with too much of one kind of product and too little of the other.

Under the present financial system the community have no power to fix the proportions in which production is divided as to character—i.e., as to how much of it shall be carried through to the consumable stage and how much shall be reserved for further productive uses. For simplicity let us denote the first category of production: *Food*, and the second: *Machines*.

To illustrate. Supposing a community can convert natural resources into Food without using Machines. The whole cost of the Food is represented by Wages and can be recovered in Prices. Next; supposing them to convert resources, half into Food and half into Machines. The cost of the Food can be recovered in Prices and the cost of the Machines in Investments. In both examples the total cost of production is recoverable because everything is made by human effort rewarded by Wages. In either example the community can repeat the process indefinitely. In the second example, provided that the Food is sufficient in quantity to maintain them in comfort, they can go on making Food and Machines—eating the Food and accumulating the Machines. Their Wages will cover their purchases and investments. So long as they do not use the Machines they will make both ends meet. The same if they *do* use the Machines, provided that nothing is deducted from their Wages on account of using them.

Machinery, however, dispenses with the labour required for a given output of products. The use of it not only lessens the labour cost of Food but also that of further Machines. Imagine a community using £100 and making in a month a Machine costing £50 and 500 lb of Food also costing £50. Suppose that in the next month, by using the Machine, they were able to double the rate of output—i.e., able to make two Machines and 1,000 lb. of Food—the whole community being at work as in the first month.

Now if nothing were deducted from their wages in respect of the use of the earlier machine, they could buy all the new Food and invest in both new Machines with their £100—paying £50 for each set of products. Each pound weight of Food would cost them 1s. instead of 2s., and each Machine £25 instead of £50. The purchasing power of their Wages would have been doubled.

But it is clear that, given the above conditions, they could achieve the same result with *any* amount of Wages. Suppose they received only half their former Wages, namely £50, that would not make any difference to the result of spending and investing them. And in the third month, when more Machines would be in operation, they could get a further increased quantity of Food and Machines, no matter whether their Wages were increased or diminished.

Accordingly, over an extended period of time there would be a progressive fall in the price-level both of Food and Machines. It would take place even if Wages remained constant; and the fall would be steeper if Wages were diminished. In any case, all the output, of both kinds, could be bought month by month indefinitely.

Only one thing might disturb this happy state of affairs, and it is this, that the community might be persuaded or forced to apply too much of their labour and machine-power to the making of Machines, thereby leaving too little Food available to satisfy their needs. For instance, in the second month, instead of making 1,000 lb. of Food and two Machines, they might make 500 lb. (or less) and three Machines (or more). True, this change of policy would not prevent their buying all the Food and Machines, but that would be no compensation for their being reduced to a starvation diet—as could be the case.

Now, if you compare this hypothetical situation with actual experience in modern industry, you will find a close resemblance. For it is an objective fact that communities accumulate capital wealth at a rate out of all proportion to that at which they absorb consumable goods. They consume too little Food and possess too many Machines. And something makes them put Machines out of action and hold Food off the consumption markets.

Now, if you asked them, or rather their mentors, why this is so, the general reply would amount to saying that price-levels must not be allowed to fall because of the disastrous consequences to the markets—the investment markets as well as the commodity markets. Yet, in our above hypothetical analysis such a fall is seen to be not only harmless but desirable.

So why this inversion of consequence as between the ideal and the actual system? There are several reasons, but the one most pertinent to our comparison has to do with investments. In the hypothetical system the Machines were treated as a free and unconditional gift. Hence, every month the wages distributed in that month could be applied, without deduction, to defraying the total costs of that month's production. There was no overlapping or carrying forward of charges from one wage-earning-and-spending cycle to another.

In modern industry, however, there is such overlapping. And it takes place chiefly in respect of machine costs.

It has been shown above that when a machine is made and brought into use it lessens the wage-cost of making further machines by displacing labour. And this lessening of cost can proceed indefinitely towards the theoretical end where no labour is hired and the machines cost nothing. The earliest machine can make more machines exactly like itself, or it can make machines more efficient than itself. Whichever it is, the result is the same—a progressive fall in the labour cost of machines.

Now, in our hypothetical example, the Machines are assumed to belong to the community. That being so, any increase in the number of machines, or in their efficiency, will be welcome. Supposing the community received less wages as time went on, they would have so much less to pay for their consumption and investment.

Further, the earlier machines would not have to be scrapped just *when*, and *because*, the later ones were more efficient.

Now this is where modern practice departs from the example. In the first place, the community do not own the machines. In the second place, those who do own them—the investors—do not give the machines unconditionally: they lend the use of them conditionally. The conditions are that the managements who operate the machines shall endeavour: (a) to maintain them in efficient working order, and (b) to insure them against the risk of being rendered useless by later and more efficient machines. In other words, the managements are expected to charge a margin in price covering actual Depreciation and contingent Obsolescence. That margin is ultimately payable by the community in prices. It constitutes a deduction from their *current* incomes on account of *previous* production, and thus creates a current deficit which, in our hypothetical example, was not created.

The banks come into the picture here, for in deciding loan policy they give first preference to managements who are most successful in recovering this charge. Evidence of their success is to be found in such items as "Depreciation Reserve Fund"—"General Reserve Fund"—"Investments Provision Account," and so on. These figure as Liabilities. They are offset on the Assets side of the Balance Sheet by (among other items) the company's own investments in other companies' capital.

In elemental terms such a Balance Sheet says this to the investors:—

Liabilities.		*Assets.*	
Amount you invested in your machines	x	Value of your machines	a
Amount of undistributed profit owing to you ...	y	Value of other companies' machines invested in	b

Assuming that other items in the Balance Sheet balance (which, of course, is possible), then x + y will be equal to a + b. And if x = a (which again is possible), then y = b. In that case, the management virtually say:—

We are holding machines "a" as security against your original investment "x"—and have acquired machines "b" as security against profits due to you but not distributed to you "y."

(*To be continued.*)

Notice.

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