

SOCIAL CREDIT AND REAL CREDIT ARE DISCUSSED

No Magic by Which Goods Can be Produced by Issuing Claims for Them

(By J. M. C., in Financial Times)

Canada spends much of its income upon education but it seems little instruction has been given in economics. The study of the intricacies of all the theories of economics must, as in other matters, be left to the specialist, but everyone should have a clear knowledge of the underlying principles of the system of work and trading by which we live so that no theory which does not comply with these principles can be imposed upon us.

The system is a great machine built upon experience, and improvements will continue to be made. The driving force is work. Men must work to live. The truth of the general statement is not altered because some men do not work. A second fact is that practically all men exchange the greater part of their labor for the labor of other men, and with this co-operation the world has greatly advanced. Every man, who desires to live, must bring to the world's markets goods or labor which other men want and at such a price that other men will buy.

Every man works for other men and whether he is engaged in producing or distributing goods or in otherwise ministering to men's wants, he is paid from goods produced. It is the only income and every man must have goods to support life, his wants, and to carry out any undertaking, which requires the labor of other men, whose lives must also be supported. Because payment is made in money, does not alter the fact that payment is made in goods, as money is a claim for goods, expressed in terms of part of the goods, gold. Fault may be found with gold as a measure of value but it should not be abandoned until a better measure is found, and if such a measure were found, payment must still be made in goods, the items of which will continue to be valued one against another. Our money is our marketable goods.

Another fact is that man cannot survive without capital and the word "capital" is used to signify what is really capital, viz: goods to support life until more goods are produced to further support it. The facilities for production and distribution and our accumulated knowledge are also capital, built up to attain our present standard of living.

Capital has been accumulated by saving, that is by consuming less than has been produced. Had our forefathers' time been entirely absorbed in producing just sufficient good to sustain them from year to year, no progress would have been made. This fortunately has not been the history of man, who has been able to spare a part of his time from the production of food, to the production of other things, including improved instruments of production, which has released further labor for the production of other things. The great problem now is to avoid the waste of this labor and the supporting of men in idleness by doles.

These facts are part of our daily life and it would be needless to state them but that theories for changing the economic system which take little cognizance of them, are advanced. The Social Credit theory is one of these.

The Social Credit theory is false because it is founded, not on facts, but upon a theory contrary to facts. The theory upon which it is based is that money has no intrinsic value and can be created by banks or by the state. Money in the final analysis is exchangeable goods. The bank or state notes (currency) may have no intrinsic value as paper but if they are valid titles to goods (and they are if good notes) they have the intrinsic value of the goods, and it is a mere quibble to say they have no intrinsic value, and contrary to sane thinking.

The banks are depositories of claims upon, or titles to, goods. When money is deposited in a bank it means the actual transfer to the bank of the goods represented by the money and the depositor is able to go to his grocer, for instance, and get food by transferring his claim to the grocer, or in other words by issuing his cheque to the grocer. The bank, while it deals in money, actually deals in goods. Those people who have claims upon goods, which they do not require for the time being, transfer these claims to the banks (deposit). The banks transfer (lend) the goods to others, who use them, but the transfer is made only to those who already have goods in possession, which are transferred (pledged) to the banks as security for the goods withdrawn for use. The central fact in all this is that actual goods are in existence for the claims of depositors with the banks and the banks can take the goods to satisfy the claims of their depositors.

This is true in substance, though there are minor exceptions, and a notable one. The banks transfer (lend) some of the goods to the State in exchange for the State's promises to pay, in the form of notes (currency) or bonds. The State has no goods, except the gold held to redeem

a part of its notes. Its only means to repay the goods is by taking goods from its citizens (taxes) and some or all of these goods may already be pledged to the bank or others. Herein lies a great weakness. The State in irresponsible hands might issue promises beyond its ability to pay. Its ability to pay promises, payable on demand, is limited to goods in existence, less the goods necessary to enable its citizens to carry on; in other words its capital. The ability to pay future promises is limited to the goods which the State can take away during any given time, from the production of its citizens in that time, in excess of the goods taken to meet expenditure and capital requirements.

The State should not issue notes, or promises payable on demand, to a greater extent than the goods, including gold, in its hands, or which it can readily command, nor should it issue bonds payable in a given time, when there is no possibility of its being able to collect within that time, goods sufficient to redeem the bonds. The State which does not balance its budget, is not in a sound position to issue notes except those fully covered by goods (gold) in its possession, nor can it make any provision for the redemption of debts maturing in the future.

It is manifest the State or the banks cannot create goods, using the word "create" to mean to bring into being from nothing. No man or aggregation of men can create (in this sense) anything tangible. It is also quite evident the State or banks do not produce goods, and goods and money being in substance the same thing, neither creates or produces money. The question may be asked as to what then are government notes and bank notes (currency). The answer is, they are "claims for goods" (not for goods and service which appears to be the Social Credit definition, but further, they are valid claims for actual existing goods, not just pieces of paper, and when the claims pass from hand to hand the good pass also. A clear conception of this is vital to the argument. One does not need to hold an article in his hand to prove it.

A man's purchasing power consists of the marketable goods he owns. The State's purchasing power is not greater than the sum of that of its citizens. Any disbursement of goods it may make must be made from goods in the possession of its citizens and if goods are not produced (and they can only be produced by work) to replace the goods disbursed and consumed, the citizens and therefore the State are poorer.

All goods are not readily marketable. Some are not marketable and have no purchasing power. It has been and is the great task for the banks to keep in their possession only those classes of goods which are readily marketable so that the claims of their depositors may be satisfied on demand without fail. The life of every bank depends upon this and the continuous flow of goods from the producer to the consumer is not clogged by unmarketable goods when good banking practice is followed. Because of this, bank notes are more sound than the notes of a State which is not able to balance its budget and does not hold gold to cover, in full, its issue of notes.

Under the Social Credit plan it is proposed to issue demand claims for goods (and whether these claims are in the form of State or bank notes or scrip or book credits is immaterial) not only for goods in existence, but not only for goods in existence but also for non-existent goods to the amount of the appraised value of the natural resources of the State, the fixed properties and ("Our Cultural Heritage"). This is sheer folly. Natural resources, fixed properties and available labor are a potential source of purchasing power, but this power is available only after goods are produced by the application of labor, and the goods must be marketable. There is no magic by which the supply of goods can be increased by issuing claims for them, or by which fixed properties can be transmuted into goods. It is the height of absurdity to issue title to goods non-existent. It is more than that. It is fraud. It would be futile to issue claims unless it was intended the goods should be given for them and if claims are issued for more goods than exist, when all existing goods are distributed, the balance of the claims for which no goods exist, would be worthless. It is doubtful if the hungry man would be satisfied to fill his stomach with Our Cultural Heritage.

The State, as such, has no goods, (with the exception noted) and it first must obtain goods from its citizens before making any distribution. The method of taxation may take more goods from one citizen than another but no method of taxation can increase the total quantity of goods in the hands of the citizens, and no more than this quantity can be collected and distributed. The State which adopts the system of collecting goods produced and redistributing them to

SWIFT LEAGUE ACTION SETS NEW PRECEDENT IN OUTLAWING WARS

Geneva's Machinery Actually in Operation Within Six Days After War Had Started, With Embargo on Arms and Financial Ban Against Rome

Collective Speed-Up of World Powers Would Prove 'Law' Supreme Over 'Claw'

Britain Has Led Way in Dramatic League Moves, France Swinging Into Line, Preferring Military Power of England to That of Italy

The greatest events are not the most apparent. The fall of Rome is one of the most definite dates in history, but it passed unrecognized in 476 A. D.

What is the full meaning of the past week's events in Geneva? They may prove a turning point in world history.

Even in its cold factual reports, the Associated Press described the week of the League's efforts to halt the Italo-Ethiopian War one that might come to be recorded as "the week that crushed war and awoke the world to the possibilities of real collective peace."

Correspondents of The Christian Science Monitor have been reporting day by day developments both from the seat of the League of Nations and the interested capitals. Today, welding together information from these expert observers, a dispatch from the Monitor's European bureau contributes to an assessment of this epochal period.

(By A. Godfrey Lias)

LONDON, October 17.—The League chariot has now been in motion one week and it is time to review the progress of the first attempt in world's history to bring the war-maker to book without drawing the sword against him.

How far have we gone?

On October 3 Italy invaded Ethiopia. On October 5 the League Council met. Two days later it unanimously agreed that Italy had committed an act of war against a fellow-member of the League and had violated its solemn covenants in doing so. Two days after that—that is last Wednesday—the Assembly met and within one hour agreed with the Council—except for three states, Austria, Hungary, Albania, each of which has special relationship with Italy.

First Action Of Kind

Thus within six days after a war had started the League had established who was the guilty party—the first time in its career that it ever ventured upon such a step in respect of a great power. This point reached, the League immediately began to put into effect Article XVI, which the world for fifteen years had been accustomed to regard as a dead letter.

A ban on the export of arms to Italy was immediately agreed and the ban against arms for Ethiopia lifted. Today it has been further decided to deny Italy loans or commercial credit facilities and progress has been made toward refusal of League states to accept Italian imports. The question of banning the export of certain key-products to Italy is under consideration.

Criticisms Are Heard

What does all this amount to? To take first the current criticisms

its citizens without compensation adopts what is commonly called Socialism. There is no need in this country to resort to the thin disguise of an impractical plan of finance to introduce Socialism, except to deceive the citizens. The machinery to facilitate the exchange of goods has been built up with the experience of many years and the control of the goods rests with those who own them, in their possession or deposited with the banks. It remains only to increase taxes, to obtain the goods from those who have them, and to distribute them to those who have not. A State, which has difficulty in collecting sufficient taxes to meet its ordinary expenditure, may find it more difficult to provide for a national dividend.

Social Creditors lay much stress upon the sabotage of goods in the face of poverty, but while sabotage is to be deplored, it has no bearing upon the feasibility of their plan. The sabotage, it is said, is for the purpose of maintaining the price, which probably the producer (if a Social Creditor) would call the "Just Price". The fixing of prices appears to be part of the Social Credit plan. This is a very old and much tried theory the results from which are invariably unsatisfactory. Experience has not yet taught this to all producers. The producer is usually the advocate for a fixed (Just) price for his product. The price is naturally high enough to induce production and as long as the State maintains the price, and does not limit the production, there is no check upon it and over-production results. The thing to be deplored is not the destruction of goods not marketable, but the policy by which men's energies are directed to production of goods not required, instead of to the many things that are needed.

heard both in and outside League;

Eleven days elapsed before the League could agree to its first sanction, that on arms—which after all does not amount to much since Italy makes almost all its own munitions. Moreover, the only League states that have put even this sanction into operation did so before the war started. The only country which acted at once was the United States—not a League member.

Meanwhile, as Anthony Eden said last week, men are being killed in Africa. And what has been done so far whether by the United States or the League does not prevent shiploads of men and munitions still pouring into Eritrea from Italy, nor other shiploads or raw material going to Italy from the rest of the world, with which to make more implements of slaughter.

Law vs. Claw

All this is frankly acknowledged by those at Geneva who want to replace the rule of claw by the rule of law. They know the League has been slow. They are doing their best to speed it up. And they are succeeding. Whereas it took six days to determine Italy's guilt it only took another four to start the machinery of sanctions.

Moreover all the indications are that the speed-up will go on cumulatively.

Meanwhile the past week has definitely established that maintenance of peace is a collective responsibility—that if one of the nations hangs back it makes it all the more difficult for the rest to press on.

Business, As Usual

On the other hand, in London, Paris, Brussels and New York many businessmen is the possibility of large profits in continuing trade with Italy. Others see the possibility of grave losses if existing trade is cut off.

While there can be no sympathy for those who wish to exploit someone else's war for their own selfish ends, it is admitted that it would be disastrous if measures generously accepted to restrain Italy were to harm those who imposed them more than they harmed Italy.

Hence inquiry is now going on into the question of a compensation fund and of rationing countries like Austria, Hungary and others, which might otherwise build up a profitable trade at the expense of other states which have deliberately foregone such trade.

New Peace Technique

Few informed observers expect race-horse speed under these circumstances. World public opinion has got to be familiarized with an entirely new peace technique. Apathy has to be overcome together with greed and selfishness, not only of the aggressor but of those who are anxious to make money out of his action. Vast machinery both of restraint and co-operation has to be improved out of nothing. Hesitations have to be overcome and assistance of non-League states invoked. Above all the solidarity of League states must be maintained in the face of unremitting attempts to divide them.

Moreover, whatever steps are recommended at Geneva, it remains with the individual countries to put them into force. Christian Science Monitor.

BOY SCOUT NEWS

Prof. Pugh, provincial field worker of the Boy Scouts, has presented the following report of Scout work:

On Saturday and Sunday last, Field Worker Pugh, District Commissioner Good, and J. Arthur Leger visited Newcastle and Chatham. On Saturday evening a rally was held at the academy in Newcastle, when some fifty boys from the First and Second Troops attended, together with Cubs of the Community Pack, with their leaders, Scoutmaster Forth, Scoutmaster Lamontagne and Lady Scoutmaster Crocker. At this rally, warrants were presented to Scoutmaster Lamontagne and Assistant Scoutmaster MacWilliams, of the Second Troop. All concerned made an exceedingly smart showing.

We called on Rev. Father Dunn, of St. Thomas' College, Chatham. He has a troop of twenty-four, in connection with the Cathedral, and will shortly hold an investiture. On Sunday, we were received in audience by His Excellency Bishop Chiasson of Chatham. His Lordship was much pleased with the progress made during the past year and, in the course of travelling through his diocese, visits the Scout

Of Interest to Women

KEEP A MAN'S HEART BY FILLING HIS STOMACH

Household Hints and Questions Answered

Q. How can I remove ink stains from the children's fingers?

A. Rub with a cloth moistened with household ammonia, then rinse in clear water.

Q. How can I prevent the metal tops of salt shakers from corroding?

A. They will not corrode if they are covered on the inside with melted paraffin. Open the holes with a pin while the paraffin is cooling.

Q. How can I use a substitute on laundry day, when I find at the last moment that the supply of soap chips is exhausted?

A. As an emergency one may tie a whole cake of white soap in a clean cloth and put it in with the clothes. The soap will soon dissolve.

Q. How can I remove water stains from furniture?

A. Use a tablespoonful of powdered pumice mixed with enough linseed oil to make a thin paste. Rub on the spots until they disappear, then wipe off with a cloth dampened in polish.

Q. How can I prevent the sticking of the cork in the glue bottle?

A. Cold cream or vaseline should be rubbed on the cork after using the glue. When the glue is to be used again the cork will not stick nor break.

Q. How can I wash glassware with less labor, and also give it a better polish?

A. Merely by adding a little ammonia to the wash water.

Q. How can I clean some very fine old lace that is treasured, and one is afraid to launder it?

A. Shake powdered magnesia over the lace thoroughly, wrap in a towel, and allow it to stand for several days. Then shake out the powder and iron carefully.

GOOD THINGS TO EAT

Leftover Roast

Just another solution for the old-old problem. Grind up the end of the roast adding a raw onion, a green pepper and a crust of bread. Season with salt, pepper and a little ground mace. Mix into this one cup cream sauce and turn into a buttered casserole. Sprinkle the top with breadcrumbs and bake in a moderate oven until brown.

Graham Nut Bread

Two cups unsifted graham flour, 1 cup white flour, ½ cup white flour, ½ cup sugar, 1 teaspoon salt, 3 teaspoons baking powder, 2 cups sour milk, 1-1½ teaspoons soda, 1 cup chopped English walnuts. Sift dry ingredients and then add sour milk and nuts. Pour into a buttered pan and let stand for 15 minutes. Then bake in a moderate oven for 15 minutes. A delightful bread that is also very economical.

Table Talk

Peanut butter for sandwiches is better when blended with table butter and a little salt added.

Cut the bread for toast with the animal shaped cookie cutters if you

want to waken the appetite of the convalescent child.

If you are going to whip regular table cream, it is wise to add the white of an egg to it before starting to whip. Your chances for success will be better.

Scrambled Tomatoes and Eggs

Five eggs, 1 cup tomato pulp, 3 tablespoons butter, 1 tablespoon sugar a pinch of salt. Simmer tomatoes, salt and sugar for 8 minutes. In a frying pan melt the butter and add beaten eggs and tomato mixture. Stir from the bottom of the pan as when making plain scrambled eggs. Cook until set and serve on hot buttered toast. A delightful breakfast dish garnished with strips of crisp bacon.

Harlequin Salad

One cup chopped celery, ¼ cup grated raw carrot, 2 tablespoons chopped stuffed olives, 1 tablespoon chopped walnuts. Mix with mayonnaise dressing and serve on a bed of shredded lettuce.

Almond Cake

A delicacy that never fails to score a hit. Cream ½ cup butter with ½ cups granulated sugar. Add 1 cup milk alternately with 3 cups flour sifted with 3 teaspoons baking powder. Add 1 teaspoon almond extract and then fold in the stiffly beaten whites of 6 eggs. Lastly, add ½ cup finely chopped blanched almonds. Line a tin with buttered paper, pour in the batter and bake for ¾ hour in a moderate oven.

Paper Wrappings

The waxed paper wrappings from bread may be used to advantage in wiping off the gas range after each meal. They polish as well as clean.

Remove When Dry

Unless you are endeavoring to bleach the clothes it is wise to remove them from the line as soon as they are dry. They collect dust and frequently tear if caught in a high wind.

A Soft Chamois

After using a chamois it should be carefully washed in warm soapy water then pressed carefully on a flat surface to dry. Do not hang it in the air or place it on the radiator, as this will make the skin hard and dry.

Ready to Wear

When putting away sonny's suits after laundering, button the vestee into the blouse. Then when in the usual rush for kindergarten or school, there will be no search for different parts of the suit.

Free From Wrinkles

Always keep a coat hanger in the sewing room. Then when making a dress it can be kept in a hanging position and you will be surprised how much better it will look when finished than if you put it away in a bundle after working on it.

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Excited Young Father: "Quick! Tell me! Is it a boy?"

Nurse: "Well, the one in the middle is."