

**Major
C. H. DOUGLAS
SPEAKS**

IT IS YOUR DUTY AS A CITIZEN TO READ
MAJOR DOUGLAS' WORDS AND JUDGE FOR YOURSELF THIS TRULY GREAT
MAN AND HIS MESSAGE.

The Ideal Gift for all who have at heart the Welfare of Humanity and their Country.

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FOREWORD

To write the foreword to a book of Lectures delivered by Major C. H. Douglas is a great privilege.

How can we adequately convey our debt of appreciation to one whose message to the world has meant so much? He firstly prophesied many years ago the position we would be in today, if the methods then being adopted were continued; then he definitely diagnosed the Economic plague; and lastly he points the way out to economic security for all mankind.

Humanity's needs are of paramount importance, and a Financial System which stands in the way of man's full individual and social development must give way to one which shall permit of the great reservoir of knowledge overflowing to satisfy man's every need.

It rests with us all to truthfully weigh the evidence he presents, and when convinced that the present Monetary System is functioning falsely, then to press forward to bring about a true reflection of the facts.

This book will further ensure our Leader's words of wisdom and inspiration reaching beyond the bounds of our movement and increasing the ranks of our great crusade for man's right to live.

STANLEY F. ALLEN, F.C.A. (Aust.)
State President
Douglas Social Credit Association of New South Wales.

Other Publications by Major C. H. Douglas

The following books on the New Economics may be obtained from the Douglas Social Credit Association, Suite 205, 29 Bligh Street, Sydney:—

Economic Democracy

Credit-Power and Democracy

Social Credit

The Control and Distribution of Production

The Monopoly of Credit

Warning Democracy

Canada's Bankers and Canada's Credit

These Present Discontents and the Labour Party

The Douglas Theory

The New and the Old Economies

Breakdown of Employment System

Macmillan Evidence

“WORLD IN GOLD CHAINS”

(Major C. H. Douglas, “Manchester Despatch”)

OUT of the welter of discussion and recrimination which has been proceeding on the subject of the economic and social crisis through which the World in general, and this country in particular, is passing, one idea stands out clearly. It is a new idea, and yet it has been, I think, grasped by a majority of the population.

It is that the crisis, the poverty, and the mental and physical distress which are the features of these present times, are in a certain sense artificial. We are starving in the midst of plenty. It is not goods and services which are lacking—it is the money with which to buy those goods and services which either actually exist or could potentially be made. Money is only a ticket system.

It would appear that every effort has been made to confuse and obscure this issue. The crisis is described as an unemployment crisis, whereas a little consideration will make it clear that our scientists, our organisers, and our engineers have been engaged for hundreds of years, and successfully engaged in producing this so-called “unemployment” crisis, which properly considered is, of course, the successful transfer of economic labour from the backs of men on to the backs of machines.

That is what we have been trying to do, and that is what we have succeeded in doing. The machines are capable of making the goods, but the unemployed cannot buy them because they lack money, and to them a situation which should be one of freedom and leisure, appears disguised as one of economic catastrophe.

The actual and potential wealth of the world is demonstrably beyond all the requirements of the highest standard of living for the whole of the population.

What are we told by our politicians and our inspired Press and Broadcasting agencies? That we cannot afford even our present standard of living, that our taxes must be increased, which, if it means anything at all, means that we have less money to spend on our personal requirements and can therefore draw less upon the real wealth of the country.

That we must work harder and our social services must be curtailed. That the wages of labour must be cut down, and the dividends of railway shareholders, amongst others, must be so reduced that they, in turn, will be powerless to obtain even that portion of this abundant and increasing wealth to which they have been accustomed.

Obviously these two claims, first, **on the one hand, that the world is rich and getting richer (which is the claim of the engineer and the scientist), and on the other hand, that it is poor and getting poorer (which is the claim of the financier and his protagonist, the orthodox politician) cannot at one and the same time be true.**

In spite of every hindrance to the formation of an instructed opinion, the man in the street has arrived at the correct conclusion. The scientist is right, and the financier is wrong.

Now, the first step towards understanding how it is that the financial system presents a fictitious picture of poverty when, in fact, there is no fundamental poverty anywhere, can, I think, best be taken by realising that when you make goods or grow food, you do not thereby make the money with which to buy the goods that you have made or the food that you have grown.

The greatest factor in the creation of real wealth is the cultural inheritance of civilisation—scientific knowledge, tools, processes, organisation, and so forth. A second factor is that of raw materials, and especially solar energy, and a third factor, of diminishing importance, is that of labour. This cultural inheritance is beyond dispute the birthright of the community and not of any section of it.

But the money which is required to distribute this real wealth comes from an entirely different quarter. There is now no dispute possible in regard to the matter. It is actually made by the banks, and the ownership of it is claimed by the banks.

The process is mainly a book-keeping process and has been epitomised by a well-known banker—the Rt. Hon. Reginald McKenna—in the words: “Every bank loan and the purchase of every security creates a deposit, and the repayment of every bank loan and the sale of a security destroys a deposit.”

Suppose you grew a ton of potatoes, and I wrote you out a cheque for £5 and took your potatoes. If you were willing to accept my cheque indefinitely, it is obvious that as fast as you grew potatoes I could come into possession of them by writing out cheques for them.

It is also obvious that if your only method of getting the goods and services which you, require was by obtaining cheques from me for the purpose of lending them on to someone else, that so long as I retained the monopoly of writing cheques I should be potentially the owner of everything you and your neighbours could produce.

Although banks have the monopoly of the creation of money, no bank has ever been known to give money away. It lends money: that is its business, and it expects repayment, with interest. In consequence, there is a certain volume of money flowing out from the banks in the form of loans, and a certain volume of money always returning to the banks in the form of repayment of loans.

It is this volume of money, and not the amount of available goods, which governs the purchasing power of the general population. In order, quite ineffectively, to enable goods to be disposed of in the face of an inadequate supply of purchasing power, prices are driven down, with the result that producers make a loss and their producing plants are put out of action.

While the technical details of this situation are too complex for treatment in a short article, it is accurate to say that ultimately the core of the problem can be put into four words—“the monopoly of credit,” and that the solution of the problem is also contained in four words—“the distribution of credit.”

Put into language which anyone can understand, this means that just as the cultural inheritance, to which I previously referred, is the birthright of the community and forms the main basis of our

immense productive capacity, so the financial purchasing power necessary to transfer this production to the members of the community essentially belongs to them and not to the banking system.

We are all of us entitled not merely by right, but by expediency, to a large and increasing dividend based not upon work, but upon our inheritance, and without that dividend it is impossible for the economic system to function since it is obviously useless to produce goods if they cannot be used, and the orderly production and distribution of goods depends upon orders backed by money.

If our present civilisation survives the growing stresses and strains which are being placed upon it by an ineffective monetary system, future generations will owe a great debt to such individuals as Mr. Montagu Norman, the present Governor of the Bank of England.

For he has succeeded in demonstrating, even to the more public spirited amongst our bankers, that the banking mentality is conspicuously unsuitable for the position of immense power in which circumstances have combined to place it.

Neither a change of system nor a change of personnel by itself is sufficient, and in the last resort the issue lies in the outcome of a conflict between reactionary financiers and the general population.

Not only do we require a radical modification in the credit and financial system, but this modification requires for its operation a type of mentality which is capable of distinguishing facts from figures.

If our civilisation can provide both this change of system and the personnel to operate it, we can pass within a short period of time into, at any rate, an economic millennium.

“GREAT BRITAIN LIMITED”

(Major C. H. Douglas, *London Daily Herald*)

UNLESS wrecked by catastrophe, the world is on the threshold of an era in which the claims upon food, clothes, housing and the amenities of civilisation must of necessity rest upon a new basis.

Work, or employment, as we phrase it, is not to be in future the main claim upon these things, since the provision of universal economic employment will become quite automatically an impossibility.

This is not to say that the world will become idle, because I do not believe that it will. The idea that the rich class in the past has been an idle class is one of those myths which, resting in the main on a too narrow conception of work, a little observation would have been sufficient to disprove.

To a man digging potatoes in the field an artist painting a picture destined to become a national heirloom is an idle trifler, but it is quite possible that the artist could dig potatoes, although the man digging potatoes would be quite unable to paint a picture.

The problem, then, is not a problem of employment, and any solution which depends on the re-employment of a considerable proportion of the unemployed population in economic production must in its nature be both unscientific and unsound. It is one of distribution, and the question of employment is one which in the future, to a large extent, each individual will have to solve for himself, just as the rich man solves it.

Now, orderly distribution is almost invariably accompanied by something which can be called a ticket system. When you exchange a thin bit of paper issued by the Bank of England for a thicker bit of paper issued by the London, Midland and Scottish Railway Company you are only exchanging one kind of ticket for another.

The Bank of England ticket entitles you to a certain amount of any goods and services; the railway company's ticket entitles you to a certain amount and quality of transportation. So that distribution is wrapped up with this question of the right to issue and to own tickets.

When any suggestion is made to increase the quantity of money tickets, it is met by a cry of “inflation,” and it is suggested that inflation and ruin are one and the same thing.

For this reason, it is very important to understand exactly what is the correct definition of inflation, which is not an increase of money, but an increase of money accompanied by a rise of prices thus robbing everyone of a portion of his wages.

Curiously enough, numbers of professional economists and bankers who stigmatised my own proposals as disguised inflation, whatever they mean by that, are now asking for undisguised inflation, with the object of raising prices.

So far as I can see, the only requirement on which insistence is made from orthodox sources at the present time in regard to inflation is that it shall be accompanied by the creation of a still further debt to the banks.

However that may be, it is essential that the issue of a considerably greater amount of purchasing power should not be accompanied by an increase of prices, and should, if possible, be accompanied by a fall of prices.

This is quite possible, but it is necessary at the same time to see that the producer of goods does not make a loss as a result of a fall in prices, and thus become discouraged from producing.

That is half of the problem, but the other half is concerned with the fact that production will increasingly be a matter of machine production, and we require to put purchasing power or tickets, or whatever you like to call this thing that we now refer to as “money,” into the hands of large numbers of people who are not in employment, and we require to do this without taking it from the people who are in employment. We are quite familiar with the necessary mechanism for this purpose—**it is the dividend system.**

It is quite possible to conceive of Great Britain in the light of what financial experts call a “holding company,” that is to say, an undertaking which, without interfering with the numerous smaller undertakings that it controls, yet issues additional purchasing power on the credit of all of them and distributes this as dividends to its shareholders.

Let us call this holding company Great Britain, Ltd., and let us suppose that Great Britain, Ltd., takes back from the Bank of England, which is a private company controlled by financiers, probably not English, the power of actually creating money, which it has surrendered.

Then, without interfering with the management of industry in the country, it is possible for Great Britain, Ltd., to issue purchasing power in the form of a national dividend, not by taxing its shareholders, but by creating the money in exactly the same way that the banks create it at the present time, and to such an amount as will ensure that all goods which are produced can be bought.

To make such a scheme effective it is absolutely vital that it should include a method of controlling prices, so that the additional money does not cause prices to rise, while at the same time ensuring to the producer that, as such, he is remunerated. There are methods by which this can be done, which have been proved to be successful.

These methods and other arrangements which would be desirable in the organisation of the country on the lines I have indicated are from their nature technical, and they are, of course, only indicated in the preceding paragraphs.

In general, the result which might be anticipated from the destruction of the monopoly of credit, and its distribution somewhat along the lines I have described, would be that the whole of the population would not only be free for ever from poverty and the fear of poverty, but that this freedom would be granted on terms which would remove for ever the

stigma at present attached to unemployment when, at the same time, it is accompanied by financial distress, and the resentment of the “worker” at being taxed to keep the “idle.”

Every individual, no matter what his occupation or want of occupation, would realise what I believe to be the fundamental fact that **he is by birthright a shareholder in the heritage of civilisation, and that the wealth which flows from this heritage is part of the birthright.** The competition for employment in the economic system would, I believe, become even keener than it is at the present time among those who are fit for employment in it, since both the prestige and, at any rate for a time, the remuneration of the worker might easily be higher than that of those who, by temperament or inclination, were found to be unsuited to operate the delicate machine of the modern productive system.

It will be realised that, so far as industry itself is concerned, the remedies which are suggested do not touch questions such as are commonly referred to under the name of the nationalisation of industry.

These matters are matters of administration, not of fundamental policy. There is room for legitimate difference of opinion as to the ultimate decision in regard to such matters, and my own opinion is that the size of the unit which is found most convenient will largely determine the question of so-called private or public administration, and that we owe very little of the progress we have made to State institutions.

The point to recognise clearly is that whether or no our present administration of industry is the best possible, it has been amply sufficient to provide us with enough, and more than enough, actual production to make us all wealthy, and that to interfere with this existing organisation, which by common consent has resulted in a glut, before making arrangements for the improved distribution so urgently necessary to distribute that glut, is completely to fail in an understanding of the nature of the problem.

Finally, it should be recognised that it is an entirely different matter to understand what is required to end the present tragic situation, on the one hand, and to have the power to put those plans into operation, on the other hand.

We are far too prone to imagine in Great Britain that it is only necessary to have a majority of opinion in favour of a certain line of action, and that when this is achieved we have ready to our hand a Parliamentary machine waiting to translate this opinion into effective operation.

It is more than doubtful if this is the case. We have far less freedom in the choice of our Parliamentary representatives than we think we have; still less freedom as to the issues on which we elect them and least of all have we the ability to ensure that when they get to Westminster their attention shall be devoted to dealing with those problems which we consider vital. Nevertheless, in theory, at least, Parliament is supreme in this country, and every Member of Parliament, no matter to which party he belongs, is the representative of every voter in his constituency.

It is quite probable that the most practical step which can be taken at the moment is for every voter, no matter what his political complexion may be, and without wasting time in

trying to change his Parliamentary representation, to make it his personal business to apply pressure with a view to making plain to his Member that every day's delay in dealing with the money problem is an additional argument for the abolition of the Parliamentary system. Do it now!

“DISARMAMENT”

(Major C. H. Douglas, *The New Age*, June 25th, 1931)

IF there are still people who suppose that the disasters, anxieties, and disillusionments from which we are suffering, and the greater trials with which we are plainly threatened, are the result of uncoordinated forces, such persons must find the world a very depressing spectacle. A situation in which the threat of war grows daily, in which the stock markets of the world stagger from one crisis to another, while prelates and politicians vie with each other in demanding still more sacrifices from a world which is but one continual sacrifice, would, if its condition were fortuitous, be the best possible excuse for universal suicide. There would from this point of view be so many and such widely varying defects in modern society that no reasonable space of time could be expected to produce a better state of affairs, even if there were any signs of progress in that direction. It would be a hopeless situation.

Fortunately, evidence accumulates daily that this is not the case. There is in existence at least one definite policy which is being pursued with great ability, and over a worldwide area. I suppose this policy is responsible primarily for most of the troubles with which the world is suffering, although secondary troubles have grown out of it, and its defeat will have results as widespread and far reaching as the troubles which proceed from it.

The main outlines of this policy are familiar, and its objective, the establishment of a world hegemony, has been recognised in many quarters. In passing, it may be observed that, in addition to any fundamental question as to its desirability, there is probably an immense illusion at the base of the idea of world power—that by the centralisation of administration you obtain more control over an organisation. I suppose it is beginning to dawn upon a good many people in widely differing spheres of influence that exactly the opposite is the truth, that the centralisation of administration results in the organisation obtaining more control over the administration. In other words, the larger and more centralised an organisation is the more impossible it becomes for its so-called “head” to deflect the organisation from a policy which arises out of its own inherent constitution.

However this may be, the strategy which is being pursued for the attainment of this world hegemony is becoming sufficiently plain, and the first constituent of it is disarmament, not merely of a military character, but in every plane of human activity.

Arms are merely a special form of tools—they increase the power of the individual over circumstances. If this be recognised, it will easily be grasped that there is no essential difference between the disarmament of an individual and the taking away from him of any other tools, and that, fundamentally, the desirability of such a line of action depends very much on whether you believe that the individual or the nation can desirably relinquish all specialised action in favour of some exterior organisation. Disarmament is simply dis-empowerment. If there is anyone who finds such prospect attractive, then Soviet Russia, or Fascist Italy, are the spiritual homes for him.

This idea that everybody knows better what is good for a man than the man himself, and that any external organisation is a better repository for a nation’s power than the nation in question, would

seem on the fact of it to bear such strong resemblance to the fable of the fox, which, having lost its tail in a trap, proclaimed the transcendent advantages of a tail-less existence, that one would not expect it to attract much support. But, in fact, it seems to lend itself to presentation in a form very attractive to the idealistic mentality. The Archbishop of Canterbury, refreshed by his three months' cruise with Mr. Pierpont Morgan, is asking for our prayers in favour of it. By a curious coincidence, American banking circles are firm in their contention that no reduction of the debts of Europe to America can be contemplated without corresponding reduction in European armaments.

Contemporaneously, we have a blast of propaganda for what can only be described as "programitis." The very financiers who condemn Russia in public, while endeavouring to organise loans to her in private, are enthusiastic about the desirability of the centralised planning of production. The centralised planning of production, if it means anything at all, means that some central authority shall decide both what the individual wants, whether he is to have it, who is to make it for him, and on what terms he is to get it. It is suggested that, however unpalatable superficially such a state of affairs might appear, it is the only way by which the individual can rapidly acquire material prosperity. Yet, curiously enough, the complaint by the same people made against what remains of the decentralised control of production, is that it has produced too much. In other words, whatever happens in the world at the present time, which is a world increasingly in the control of finance, is an argument for taking still further control out of the hands of the individual and transferring it to the power which is demonstrably responsible for the trouble.

I suppose that this policy has obtained such momentum that we are condemned to witness its pursuit to its inevitable and catastrophic conclusion. But in the meantime a little plain speaking may perhaps not be out of place. Those who, in the present state of the world's business, are endeavouring to weaken such independent centres of power, as, for instance, Great Britain, by propaganda for disarmament of a military nature, or active or disguised action for the reduction of her power in men and tools, are either the victims of muddle-headed illusion, or are dangerous criminals. It is to be hoped that some effective method of presenting this point of view to them will be devised. The Long Gallery of the Tower might be considered.

The way to stop wars is not to institute a centralised tyranny worse than war—it is to take away the reason for war. When that has been done, armaments will go out of fashion. Perhaps the Archbishop will take another holiday with Messrs. Morgan, Mellon and Stimson, and put it to them.

“THE INTERNATIONAL IDEA”

(C. H. Douglas, *The New Age*, Jan. 14th, 1932—Notes on an Address delivered in London)

I SHOULD like to impress upon you that in bringing forward the subject which is covered by the title for discussion, I have no intention of merely initiating an interesting discussion upon a philosophical abstraction. As you are aware, I regard society at the present time as being the battle ground of two fundamentally opposed ideas, at any rate, as they are put forward, and the future of society as likely to be determined by which of those ideas shall prevail. So far as I can see, those of us who are in this room constitute the general staff of one of the armies. We are the general staff, not perhaps because of any outstanding qualifications for the task, but because there does not seem to be any other on our side with a clear conception of what it is trying to do. Now one of these ideas, the one which we oppose and which has many forms, has one of its embodiments in the idea that the logical and almost inevitable form that social progress must take, is the breaking down of all differences, social and national, and the setting up of a world state.

But the first doubt which I should like to assist you in casting upon this superficially attractive idea is to direct your attention to the fact that, like all the other analogous ideas of which it forms one exhibit, it is impervious to the assault of fact. The fact that the Irish Free State has split itself off from Great Britain, and that India and Egypt seem likely to go the same way, that there is a strong and growing Home Rule movement in Scotland, that certain States of Australia are contemplating secession from the Australian Commonwealth, that there is quite a strong, if not articulate, division growing up between the Eastern and Western States of the American Union, and between the Eastern and Western Provinces of the Dominion of Canada, that Spain seems likely to split into two separate republics, that of Catalonia and that of Northern Spain, and many other instances of the same type, offers no evidence or argument to the Internationalist.

Now, of course, there is a perfectly straightforward and practical explanation of this propaganda for internationalism, and for practical purposes one does not really need to look further. Hardly a day passes without a leading article in *The Times*, or other papers of the same type of interest, remarking, as though it were axiomatic, that the world is one economic unit, and that no adjustment of the expected which does not proceed from international agreement. These journals are ably seconded by High Clerics. This opinion, you will notice, is never argued; it is always stated as though it were obvious to the meanest intellect, which is, in fact, just about what it is. Now, as I have just said, the simplest explanation of this is that if you only make a subject large enough and involve a sufficiently large number of people in the solution of it, you can rest assured that you will never get a solution. A democracy of a thousand voters can be approached and convinced on any subject within a reasonable period of time, but if you enlarge the franchise to include everyone over twenty-one in a population 45,000,000 you can be reasonably sure that any general conclusion at which it will arrive, it will arrive at twenty-five years after that conclusion ceases to be true. If you can super-impose upon that by means of a controlled Press, Broadcasting and other devices of a similar nature, something that you call “public opinion” (because it is the only opinion which is articulate) you have a perfect mechanism for a continuous dictatorship, and moreover, it is the form of dictatorship which is fundamentally desired by the collectivist mentality—a dictatorship which has power without responsibility.

There is, however, another explanation almost equally obvious, and probably equally true, and that is that local sovereignty, particularly as it extends to finance, is a barrier to the supremacy of international finance.

A Jewish financier, expressing his contempt for Gentile mentality, once remarked that the secret of the inability of the Gentile to shake himself free from the dominance of finance resided in the fact that the Gentile was incapable of distinguishing between numbers and things. I should be inclined to go further than that, and say that the mentality which is attracted by the Internationalist idea is incapable of distinguishing between numbers, things, and individuals. It is a type of mentality which is fostered and ultimately becomes inseparable from people who deal with nothing but figures, and is, in my opinion, the reason why the banker in particular is fundamentally unsuited for the position of reorganiser of the world. No banker, as such, has any knowledge of large undertakings. He thinks he has, because he deals with large figures, and he mistakes the dealing with large figures as being equivalent to dealing with large numbers of things and people. Mr. Brenton has dropped upon a letter from a correspondent, Sir E. O. Williams (incidentally, an engineer) to *The Times* of December 8, and referred to it in *The New Age* of December 17. It calls attention in a hesitating way to one of the most important ideas I have ever seen in that newspaper, which idea I feel sure must have crept in by mistake. It is contained in the enquiry: "Can like be equated to unlike, by any necromancy of gold?" You might put the matter another way by enquiring whether there was any similarity between a Beethoven Sonata and a bottle of wood alcohol in New York, because you can buy either of them for 5s.

Now this is the idea which is at the root of the International idea, where it is held sincerely. It is that you can obtain an elaborate series of statistics regarding the populations of the world and put a committee down at Geneva, or elsewhere, to legislate for them on the basis of statistics. It is an idea which would never be accepted by anyone who had ever run or organised a small business, and its most vocal exponents, such as, for instance, Mr. H. G. Wells, or Sir Norman Angell, have never, I think, been responsible for the organising of a business of any kind. Their qualifications for organising the whole world have never, as one might say, been checked by any kind of laboratory experiment. They are, in fact, in exactly the position of a would-be bridge builder who is ignorant both of the Theory of Structures and the Strength of Materials.

The danger to the world of this idea is instant and practical. There is a world movement definitely conscious of its aims, counting amongst its adherents many persons placed by social position, prestige, and other conditions, in what would seem to be a most impressive relation to politics and organisation, which is consciously working for just exactly this purpose. With it, or behind it, however you like to regard the matter, all those forces whose ends are best served by the subjection of the individual to the group. While it will certainly fail, its backing makes a conflict certain.

I should like to direct your attention, as a more than usually illuminating instance of what I mean, to an article which appears in the November issue of *International Affairs*, which is the journal of the Royal Institute of International affairs, commonly known as Chatham House, an organisation which possesses a Royal Charter, and which (as viewed from Chatham House) brings together the best brains on all subjects connected with High politics. The article is entitled "The Trend of

International Affairs since the War,” and the following extracts are indicative of its nature:—

“Either our modern economic internationalism has to be sacrificed, or else we must learn to live our political and our cultural life on the modern world-wide scale, which we have achieved in our economic life already.”

“The other alternative is, of course, that we should bring our political and our cultural life into harmony with our economic life; that we should preserve our economic internationalism by internationalizing our social life through and through, in all its layers.”

“You remember, perhaps, that one of the most famous generals in history once remarked that his opponents were invincible because they never knew when they were beaten. It is my hope that this same kind of invincible ignorance—a really heroic form of ignorance, may carry our generation to victory in our spiritual war for the establishment of universal and enduring peace (!!!).”

“If we are frank with ourselves we shall admit that we are engaged on a deliberate and sustained and concentrated effort to impose limitations upon the sovereignty and the independence of the fifty or sixty local sovereign independent States.”

“The surest sign, to my mind, that this fetish of local national sovereignty is our intended victim is the emphasis with which all our statesmen and our publicists protest with one accord, and over and over again, at every step forward which we take, that, whatever changes we may make in the international situation, the sacred principle of local sovereignty will be maintained inviolable. This, I repeat, is a sure sign that, at each of those steps forward, the principle of local sovereignty is really being encroached upon, and its sphere of action reduced and its power for evil restricted. It is just because we are really attacking the principle of local sovereignty that we keep on protesting our loyalty to it so loudly. The harder we press our attack upon the idol, the more pains we take to keep its priests and devotees in a fool’s paradise, lapped in a false sense of security which will inhibit them from taking up arms in their idol’s defence.”

"In plain terms, we have to re-transfer the prestige and the prerogatives of sovereignty from the fifty or sixty fragments of contemporary society to the whole of contemporary society.”

“In the world as it is today, this institution can hardly be a universal Church. It is more likely to be something like a League of Nations. I will not prophesy. I will merely repeat that we are at present working, discreetly, but with all our might, to wrest this mysterious political force called sovereignty out of the clutches of the local national states of our world. And all the time we are denying with our lips what we are doing with our hands.”

“But supposing this does not happen? Supposing that the present generation of mankind is defeated in the end, after all, in the strenuous effort which we are making to centralise the force of sovereignty.”

“But Prussia has not ceased to be one of the great States of the modern world. She is still great, because her public organisation . . . is still second to none. I suggest to you that history is likely to

repeat itself here, and that, once again, what Prussia is today, even the United States, are likely to become tomorrow. For the sake of the peace and prosperity of the world, I devoutly hope that my prophecy will prove correct.”

Now if the address from which these extracts are taken had been given at some local Socialist or Communist Forum, and had appeared in, let us say, *The Worker*, or some other organ of those sections of society which are more obviously suffering from the present state of affairs, one would, if one had felt obliged to notice it at all, have remarked that it was rather poisonous nonsense, and left it at that. Communists, in their periodical appearances in the police-court, might well refer to it. But the speaker was Professor Arnold Toynbee, who was one of the British representatives at the Peace Conference, and, I believe, amongst other things, is, or has been, the occupant of the Chair of Greek at London University, and the occasion was the Conference of Institutions for the Scientific Study of International Relations held at Copenhagen on June 8th, 1931, at which twelve countries were represented, and, in addition, delegates attended from four international organisations, the nature of which was not stated. These Conferences were initiated by the League of Nations Institute of Intellectual Co-operation. The address, therefore, from the auspices under which it was given, is a matter for serious attention. The first point in it to which I should like to draw your attention, is the emphasis that it places on the fact that the work of which the speaker is so proud has been persistently pursued for the last twelve years with all possible energy and in every country, and yet it does not appear to occur to the speaker to question whether there is anything in the state of the world at the present time which would suggest that the results could be regarded as a subject for congratulation to anyone outside the confines of a criminal lunatic asylum. In Europe, the national sovereignty which has, perhaps, been most wholly delivered over to the tender mercies of the League of Nations in the period under review is Austria, and if the state of Austria at the present time is an exhibit as to the state that the whole world will be in when it, too, has been brought under the League of Nations, then I think we can say in all seriousness, “God help the world.” You will notice that this peculiar blindness to facts which seems to be characteristic of all persons afflicted with the collectivist mentality is strongly in evidence, together with the peculiar determination to regard the populations of the world as only salvable through a continuous course of deception, by being made to vote, and to think, and to call for things of which they do not know the meaning or the result.

You will also note that there is not a single reference in this article, and in general there rarely is, in proposals of this nature, any reference to the remote possibility that so far from nationality being the cause of the world-wide unrest, it is sovereignty, whether national or international, which is resented, and that to replace national sovereignty by international sovereignty is to still further complicate and exaggerate the evil against which the whole world is rebelling, Or to put the matter another way, Professor Toynbee, and others who think like him, are not really interested in removing the cause of complaint at all, they are merely interested in making it impossible for complaints to become effective.

I think it is significant that what one might call “good-class” propaganda for internationalism has for many years been a passport to political success, particularly in Great Britain. It has been clearly allied with political Liberalism, and the support which political Liberalism has always received from International Finance is well-known. Strictly speaking, the tenets of British Trades

Unionism are strongly national and anti-international, a fact which anyone can prove for themselves by talking to the average working Trades Unionist on the subject of Protection. Yet, the British Labour movement, which has also received considerable covert support from international finance, has officially presented a policy of internationalism as a part of its platform, and those Labour and Trades Union officials and politicians who have in the past been most conspicuously successful have taken care to render, at any rate, lip service to the international idea.

It is, perhaps, hardly necessary to point out to an instructed audience that the conflicts between nations, at any rate, in modern times, are not due to the existence of nations so much as to the existence of conditions which cause friction between nations. To argue that the best way to stop war is to abolish nationality is exactly the same thing as to say that the best way to stop fighting between individuals is to abolish individuals.

THE NATURE OF THE PRESENT CRISIS AND ITS SOLUTION

(Major C. H. Douglas, M.I., Mech.E., Address delivered at the City Hall, Newcastle-on-Tyne, October 7th, 1932)

THE nature of the present crisis is complicated by the **existence of vested interests**, each of them, anxious to maintain and increase its importance—interests by no means confined to one class or stratum of society, just as the evil effects of the present crisis are by no means confined to anyone class of society, although it is commonly assumed that what is called “labour” is the chief sufferer.

Because I speak tonight entirely without any personal interest to serve, representing neither any special class nor any special business interest, and am merely concerned to tell you the truth (which, I imagine, is a somewhat novel and not necessarily pleasant experience), one of the **first fallacies** that I should like to expose is that anyone section of society is the only sufferer from the present economic system. So far as I am aware, there is practically no method by which it is possible to obtain statistical information as to **bearable suffering**, and only one method by which to obtain information in regard to **unbearable suffering**, and this latter is furnished by the statistics of suicides, and it is not an unreasonable deduction that those classes in which suicides, and therefore unbearable suffering, are most frequent would also contain the largest proportion of bearable suffering. We find that the percentage of suicides, besides increasing at an appallingly rapid rate per 100,000 of the population, is higher in classes which are commonly supposed to be more fortunately situated from an economic point of view than in those commonly classed as destitute. My object in touching upon this is to emphasise that this problem with which we are attempting to deal tonight is not in any sense, as commonly supposed, one which can be regarded as being, a quarrel between the “**haves**” and “**have nots.**” It is not a class problem. It is one which affects everyone.

Another fallacy is that the present crisis is a crisis of unemployment, and that it would be solved if unemployment were eliminated (by unemployment is commonly meant human unemployment). This fallacy is deeply rooted, because the ordinary man finds it extremely difficult to separate the idea of unemployment from privation and poverty. But, in fact, all our best brains have been at work for the past 100 years, or more, **with the specific object of producing unemployment**, or, in other words, of producing more and more goods with less and less labour. In addition to that, the unemployment which exists at the present time is not merely unemployment of human labour, but is also, and to an increasingly large extent, unemployment of plant and yet there is no difficulty, for anyone with money, in obtaining all the goods and services which they can possibly require. Incidentally, if the problem were one of employment, its obvious solution would be to destroy as much plant as possible, much after the manner of the Luddites a hundred years ago, and to set everyone to work again by the most primitive methods.

A broader generalisation, very popular in Labour politics, is to attribute all our present troubles to something which is called “**Capitalism,**” which is not generally defined, but which, I suppose, might fairly be defined as **production for profit**, including in this definition administrative relations between employers and employed, although, in fact, these relationships have nothing whatever to do with production for profit, and are not sensibly different in a Government

Department.

Now, curiously enough, it never seems to occur to those who complain of production for profit that **the so-called capitalistic system always works worst when no producer is making a profit**, which is, broadly speaking, the case at the present time. It is an astonishing fact, well worthy of note, that the capitalistic system, in the sense in which it is commonly understood, survives shocks and attacks which one would imagine would be quite sufficient to overthrow it, and one of the greatest dangers with which, in my opinion, with which the world is faced at the present time would be that by superhuman exertion, those in control of the money system will put into operation such arrangements as will permit the capitalistic system to recover for a time, because I feel confident that if such amelioration can be arranged, the world at large will be only too pleased to return to work on the old terms. So that it is much more correct to say that **it is not the capitalistic system, but the breakdown of the capitalistic system**, or in other words, the inability of the capitalistic system to do what it claims to be able to do, and as, in fact, in the past to some considerable extent it succeeded in doing, that is the more obvious cause of our present troubles.

Now what is it that the capitalistic system really claims to do? I think that broadly speaking it would be fair to say that it is fundamentally a system which enables people to combine together under a suitable organisation, so that by combining together they can achieve results which the same number of people acting separately could not achieve. To put the matter in technical language, the **capitalistic system is a system of organisation designed to use real capital, by which I do not mean money, but tools, land, scientific knowledge, administrative ability, and many other things, so as to produce something which we call the the “unearned increment of association.”** I want you to get this idea very clearly in your mind, as it is probably the most important idea that you can possibly assimilate at the present time. In my opinion, **Socialists** have made a **colossal mistake** in arguing about the distribution of what they have called the “product of labour.” **The produce of labour is becoming increasingly unimportant as compared with the unearned increment of association, to which I have referred, the product of the machine.**

Now, it is this unearned increment of association out of which profits, not merely to the capitalist, but to so-called “labour” are paid, and we do not know of any method by which these profits representing the unearned increment of association can be paid, either to labour or capital, except by something called “money.” And if, as is most unquestionably the case, there is an enormous and increasingly unearned increment of association and yet on the whole, the community is not only not making profits, but is, in a money sense, definitely becoming poorer, we are, I think, inevitably driven to the conclusion that **this breakdown of capitalism has nothing whatever to do with the organisation of production, but has everything to do with the money system.** I am not suggesting that the organisation of production is perfect, because I am sure it is not, and I think that by its aggregation into large, unwieldy units it is becoming worse rather than better, but I am quite confident that **it is not in the organization of production that our difficulty lies**, and that no reorganisation such as, for instance, nationalisation in place of what commonly called “private ownership,” would in itself affect any change for the better, and might easily result in a very definite change for the worse. The failure of the present economic system is not in production, it is in **distribution.**

At this point it might be helpful to deal shortly with the object lesson provided by Russia, since there are large numbers of people in this country and elsewhere, by no means confined to anyone class of society, who regard Russia as a model for reconstruction; Now, I think that no serious student of these matters can have failed to regard the Russian experiment with the most profound interest, and further, to have felt their sympathy increased rather than diminished by the flood of inaccuracies and biased propoganda which has been a general feature, at any rate of the London press, for the past fourteen years. I have myself been in fairly close touch with reliable sources of information, and have discussed Russia at first hand with Soviet officials. I know Mr. Polakov, the American Consulting Engineer to the Soviet Government, and have within the last few months discussed industrial affairs with Mr. Stewart, who is Mr. Polakov's partner in Russia, and I think that **the first point on which to be quite clear is that the problem facing the Russian people at the present time, and for some considerable time to come, is fundamentally and radically different from the problem with which we have to deal in Europe and America. It is a problem of actual scarcity, and therefore IS a problem of production, whereas our problem is a problem of glut, and is therefore not a problem of production at all, but is a problem of distribution.** It will be many years under the most favourable circumstances before Russia begins to arrive at the situation which is common elsewhere, and I see no indication that the methods by which Russia is solving her problems of production are in any way fundamentally different to those by which they have been solved elsewhere. That, of course, is why there is no unemployment in Russia. I might go so far as to say that I have strong doubts as to whether these problems of production are being solved so successfully as they would have been by merely turning Russia over to contractors for what is commonly called "exploitation," but however that may be, so far as our particular problems are concerned, **it cannot be too clearly understood that we cannot in the nature of things hope to learn anything from Russia.**

I have touched upon this for two reasons, the first of which is that a number of persons, whose confidence in dealing with industrial problems is only equal to their complete ignorance of them, are demanding that what is required for this country is a Five-Year Plan. It seems to me that where you have in operation a production system which has been even more successful than is necessary, that even if it is not perfect, you ought to make quite sure that the other aspects of your economic system, **those of exchange and distribution,** are equally successful before you begin to tinker with it. And the second reason is that I am confident that, so far from being hostile to the state of affairs in Russia, the international financial groups are beginning to look upon Russia with great favour as providing a field for their activities of exactly the type that they desire, which is to have control without responsibility. The so-called rationalisation policy of the Bank of England is definitely aimed at the same organisation as the Five-Year Plan, and we all know the state of affairs that it has produced in Lancashire and in the ship-building industry. **The head of a well-known trust associated with the Bank of England is speaking openly in favour of a Five-Year Plan for England.**

If, then, we cannot, in fairness, look to the productive system for the root of our troubles, **where must we look?** I think the answer is simple and obvious. If you have a production system which demonstrably produces a glut of goods and services, and at the same time not only those who work in it, but those who operate it, are, as the phrase goes, getting poorer and poorer, by which we mean they can get less and less of those goods and services which the production system generates, **there can be only one place to look for the difficulty,** and that is in the link between

production and consumption, and that link is **the money system** which we find ourselves.

I do not think that an occasion of this character is particularly suitable for dealing with technical details, but certain general ideas are indispensable to any understanding of the situation in which we find ourselves. Unquestionably, the first of these is that of the **nature and source of money**. As to its nature, I think it is sufficient to say the **money is an effective demand for goods and services**, by which I mean that it is no use wanting goods and services of any description, nor is it any use that these goods and services shall be in existence and available if your request to be supplied with those goods and services is not backed by something which we call money. Now the second point in regard to money is as to its source, and I will put this as shortly as possible by saying that **practically all money is actually created by the banks, and claimed as their property**. There is now no argument possible about this, nor is it, in fact, denied by bankers themselves. So that the situation in which we are faced amounts to this—that no matter what are the physical realities in regard to food, clothes houses and luxuries, and no matter how abundant they may be, we cannot obtain them without obtaining something which we call “money,” and all money is derived from the operations of the banking system. Please be quite clear in your mind about this. When the employer, the so-called “capitalist,” says that he is **making money**, what he means, and what he only can mean, is that **he is making goods** for which he gets money which previously belonged to someone else. He is simply exchanging goods for money, **but when a bank makes money, it makes money out of nothing, it gives nothing, and lends everything. It has, as we say in technical language, “a monopoly of credit.”**

Now there are quite a number of people who are beginning more or less vaguely, to understand this, and they are by no means confined to any particular interest or class, and, as a result, a number of suggestions, almost as numerous as the numbers of suggesters, are beginning to be made in regard to modification of the banking system, to none of which, I need hardly say, do the bankers pay much attention. But it is fair to say that, so far as I am aware, **no one of these, other than proposals which have been put forward under the name of Social Credit, seriously attacks the control over human life and industry which is exercised by the money system as such**. I want you to be quite clear as to what I mean by this. It is quite possible, and not very difficult, and it is in fact, being done at the present time by means of inflation, to go some considerable way towards relieving a business depression such as that in which the world has been plunged for the last four years, just as it is most unquestionably true that that **business depression was proximately caused by what is called “deflation.”** But you do not fundamentally alter the control of an engine by its throttle valve if you open its throttle valve and make the engine run faster, and it is, at any rate, **my opinion that the fundamental evil from which the world is suffering at the present time is the control of its destinies by the money system at all**.

To push the metaphor, it is not reasonable to slow down an electric light engine when the price of coal goes up. Looked at from any sane point of view, **the money system is an accounting system**, and if properly operated is of great value as an indication of what is going on in the industrial and productive systems. It is, as one might say, a barometer, or, if you prefer it, a pressure gauge, to indicate the state of affairs in business or industry in a highly convenient form, but it is just as sensible to suggest that the barometer should control the weather as it is to suggest that the money system ought naturally to control the industrial system. **The business of a money**

system or a barometer is to indicate, not to control. Entirely apart from the fundamental and technical unsuitability of the money system as a system of government, which is what it is at the present time, the type of mind which is attracted to banking and finance is not suited to deal with the highly technical organisation of the modern world.

This matter is so important and so little understood that I must try to make it clear to you, even at the risk of some repetition. If you look at the physical reality of the productive system in the Western world today, you cannot fail to realise that **we are living in an age of material wealth and plenty.** Not only are the shops full of goods, of all descriptions; not only is corn, coffee, rubber, all the metals, and, in fact, ever raw material so much in excess of requirements that practically all producers are engaged in all sorts of schemes to endeavour to stem the flow of real wealth, but nearly every farm and factory in this and almost every other country, with the exception of Russia, is working much less than a quarter of its possible output. Yet, if you turn to the Press, and more particularly to the **London Press, which is paid to express the views of the financial interests,** you will be told that only severe economy, lower wages, higher taxation, and other symptoms of severe scarcity can be deduced from the present situation, and that we have to accept them. Now I think it must be obvious to ordinary common sense that one set of statements cannot reflect the condition depicted by the other set of statements. **Either I am deluded** in telling you that there is plenty of corn, coffee, rubber and many materials, **or else, a set of financial figures, which says that we must economise because there is not enough, must be false.** In other words, it is impossible that these figures can be a reflection of the facts. So that the first essential in dealing with the situation which arises out of this conflict of facts and figures is to correct the figures. I would point out to you that what the financiers tell us to do is to correct the facts, which is some indication of the state of mind to which too much concentration on figures will drive people. Having corrected the figures so that we are in possession of statistics as to what it is we have to distribute, the radical difference which **I suggest to you as necessary is that we should decide on the distribution as a conscious act of policy,** and not let those figures in themselves control the distribution. The complaint that I, myself, have to make about many of the proposals which are now becoming so common in regard to the financial system, is that they seem to be unable to get away from the idea to which I have previously referred, that it is the function of the barometer to control the weather.

You may quite properly ask me how these somewhat general statements can be translated into something which will form a basis for action. **The first step, in my opinion, is to force those in charge of the financial system to reconsider their position in the scheme of things.** It is quite beyond dispute that in the higher realms of financial circles the financier regards himself as the vice-regent of God upon earth. The late **Mr. J. Pierpont Morgan,** who, without using unrestrained language, might be regarded as one of the largest-scale buccaneers the world has ever known, left detailed instructions as to his funeral, and amongst these instructions was the request that the hymn, "For all Thy saints who from their labours rest," be sung at his funeral. I honestly believe people like **Mr. Montagu Norman,** who in his capacity as Governor of the Bank of England, **has been directly responsible for more mental and physical misery in the last twelve years than any other living man, are under the impression that it is their divinely appointed prerogative to discipline the country.** As I have just said, it is an idea of which they must be disabused, gently if possible, but disabused anyway. **We must, then, clear up the defects and inaccuracies of the financial system itself, in which is included the price-**

making system as well, and quite as importantly as that portion of the system which deals with the issue of credit or purchasing power.

The question of taxation is interwoven with this idea of moral government by finance, and I am strongly of opinion that the whole system of taxation, as at present understood, will eventually, if not immediately, become obsolete. It is altogether too suggestive of allowing the policeman to make the law and pocket the fine. When we have got so far as that it will, in my opinion, be a comparatively short step to the organisation of this country into a **co-operative commonwealth, which will not in the least mean anything like the nationalisation of industry.** It is perfectly possible to retain and to extend the present system of private administration and private property, while at the same time organizing the country in such a way that every citizen shall draw a dividend from the activities of the community as a whole, of such magnitude that almost immediately poverty, financial anxiety, economic depression, and all other features of our present social system will disappear like the bad dream that they are. **Let no one suppose from this that I am suggesting a state of affairs in which all men and women will be equal.** Men and women never were equal, are not equal at the present time, and, in my opinion, never will be equal, but their inequalities rest on a far more fundamental basis, than that of differences in a bank pass-book, and **the abolition of such artificial inequalities will not only bring into the light of day the real difference in individuals, but will secure by common consent their general acceptance.**

THE ANGLO-AMERICAN DEBT SITUATION

(Major C. H. Douglas, an Address delivered in London in 1933)

I SHOULD like, to preface these remarks by pointing out what I feel sure most of you realize—that we are now in a period in which effects have become, in one sense of the word, superior to causes. **The Social Credit ideas deal primarily with causes**, and are concerned particularly with political economy. The present situation in the world, in which effect's have taken charge as a result of bad political economy, is one in which politics, in the more ordinary sense of the word, and at any rate as understood in this country, become superficially just as important as political economy. What I mean by this is that, while there is no hope of recovery in the world until we rectify our political economy, a mere rectification of our political economy would probably not now prevent the awful consequences which proceed from a persistence in bad political economy in the past.

It is my personal opinion, which I have probably expressed to many of you before, that about the latest period at which effective action to prevent the present world crisis, and the even more appalling consequences which seem likely to flow from it, could have been averted, was about 1922 or 1923. Just about that time, in fact, just subsequent to an address which I gave myself at the Canadian Club in Ottawa, **Mr. Otto Kahn, of Messrs. Kuhn, Loeb & Co.**, addressed the Canadian Club, and assured the business men and Statesmen who compose that club that they could dismiss their fears, that they (the bankers) had the situation well in hand, although they had had some anxiety during the past year or two. That speech marked, in my opinion, the end of a real epoch.

Now, in politics as distinct from political economy, the genius of this country is pre-eminent, and if there is any possibility of steering the ship of state through the storms of the next few years, it will probably be done by the politicians of this country, although their quality is distinctly inferior to that of past generations. I emphasise this because, while **I believe that in particular the handling of this Debt situation is both of immense importance** and is very largely a matter of politics, I think that the body of opinion represented in this room has now a double duty laid upon it, that of work towards a rectification of political economy, and that of holding an increasingly powerful watching brief upon day to day politics.

While the title of this talk is the "Debt Situation," it could be equally well described as the **Anglo-American Debt Situation**, since for reasons which I propose to touch on immediately, the two descriptions are practically synonymous, and really arise out of the Balfour pronouncement on the subject of inter-governmental debts to the effect that Great Britain would only collect from her debtors such sums as the United States insisted on collecting from her. As you are all probably aware, there have always been three main views on this Debt situation, looking at it purely from political as distinct from, let us say, the Social Credit point of view. **The first of these views is the view of France, which is that the debts were not owing.** This argument is most clearly brought into relief by pointing out that while the United States entered the War in 1917, she did no fighting whatever until 1918, and, as a matter of fact, very little then in comparison with anyone else, but that from the time of the Declaration of War by her to the time in which she actually participated in hostilities, she charged all the

Allies indiscriminately with all the munitions supplied to them, but when the same munitions were eventually fired by herself, no charge was made. The French argument is in effect that so far from the United States charging for the supply of munitions France and the Allies ought to have charged the United States with the use of their armies for fighting her fight until she was ready. **The British attitude towards War Debts was exactly what you would expect from British political character. It ignored all questions but that of expediency, and merely contended that the Debts were probably uncollectable and that it would be bad business to collect them anyway. The United States attitude requires a little more examination.**

At the outbreak of War, Mr. Walter Page, American Ambassador to Great Britain, is credibly reported to have communicated with President Wilson to the effect **that the British Empire was now delivered into their hands.** There can, I think, be no doubt that this idea has been predominant in the whole of Anglo-American politics between 1914, and, say, 1930. In 1930 it lost its firmness of touch, and in September, 1931, when this country was alleged to have left the Gold Standard, it may be said to have received its first, and probably decisive, check. Broadly speaking then, the whole course of world politics since 1918 has been directed towards placing this country between a European continent which would not pay, and a United States which insisted upon payment in a specified form, irrespective of any of the contingent circumstances, and **with the hardly concealed objective of, in the first place, imposing an insoluble economic problem on this country internally, and the external objective, equally important, of inducing a default which would ruin the financial status of the country, probably irrevocably.** Victims of this war have probably been as great in number as those who fell between the years 1914-1918, and their mental and even physical sufferings have been greater. It is, perhaps, advisable to recall the fact that the great mass of United States citizens were mere tools in this policy.

Mr. Hore-Belisha, Financial Secretary to the Treasury, stated: "The aggregate amount of fifty-two annuities outstanding in respect of the British War Debt to the United States under existing agreement is about 9,790,000,000 dollars. Of this, 4,398,000,000 dollars represents repayment of capital, and the rest interest. The amount which would be owing if no interest had been charged on any of the sums lent is 2,385,000,000 dollars." That is to say, we are committed to pay in money to be transferred from this country to the United States more than four times the amount of money actually spent in the United States, which never left it, but which was spent in the United States, for the production of goods, all of these being priced at the peak prices which were attained at the end of the War. That is one, and a sufficiently serious aspect of the problem; of which I think the proper précis is that it is an 'obvious' absurdity. The only practical issue which arises from it concerns the terms on which it should be abrogated.

This situation, serious enough in itself, is complicated by an internal factor in the United States, which, if the general consequences were, not so, serious, would be grimly funny. As it is hardly necessary to remark, the Liberty Bonds which represent the sums raised in the United States and alleged to be loaned to Great Britain, were financed **in exactly the same way as the War Loans of all other countries.** With the exception of a small percentage, probably not exceeding 5 per cent. in the United States, they represent **bankers' credit** (merely book-entry-created-money), which was extended to the United States Government in return for the Liberty

Bonds. To conceal this operation, however, a tremendous drive all over the United States was put over with characteristic American efficiency, resulting in the sale to the public, of the 5 per cent. of bonds previously mentioned, and the public was very firmly imbued with the idea **that it had subscribed the whole of the money.** (Now see the Banking swindle and illusion.) Since it is plain to the American bankers that insistence upon the letter of the bond in connection with world debts besides being quite impracticable would infallibly wreck the financial system, and since, as previously mentioned, the primary objective of the Debts is in any case political, it is vital both to the United States political and financial interests, first, that they should be authorised to cancel the Debts in return for political advantages, and secondly, that whether the political advantages are obtained or not, the debt should be cancelled anyway. But their own propaganda in conjunction with the situation produced by banking and finance has united American public opinion, as distinct from New York of Wall Street opinion, solidly against any such course, **since it is impossible to tell the general public that the cancellation of the Debts merely means crossing off a number of figures in a book,** and that no one would be a penny the worse. The American citizen anywhere west of the State of New York, in the first place, does not believe it, and, in the second place, says that if it is as easy as this to cross off debts of this colossal magnitude, **it is equally easy to cross off all the present debts he owes to his banker** in the form of mortgages and other commitments, and if one of these is done he is solidly determined that the second shall be done also.

FINANCIAL WORLD DICTATORSHIP. THE THREAT TO CIVILISATION.

Over and above these general considerations, however, there is the atmosphere produced by the economic and financial situation in the United States themselves. I may, perhaps, say that, in my opinion, there is nothing in the American situation as it is developing at the moment to lessen **the threat of a world dictatorship, which, it appears to me, has always been the objective, whether conscious or not, of high finance.**

What, then, ought to be our policy in this country in regard to the Debt situation? That again seems to me to be quite clear. It should be to keep the negotiations in regard to it, if any, directly on the basis of debt, to offer to pay, and to continue to pay, in gold so long as we possibly can, while at the same time both discrediting gold and forcing down its price, and making it clear to the world at large that the Debt was not contracted in gold and the bargain is, as I think undoubtedly it is, an unconscionable bargain. **The action of the Bank of England in buying gold in excess of that required for the purpose of paying the United States should be branded as traitorous.** In that way we shall undoubtedly strengthen our position to such an extent as to force readjustment from the American side. If in the meantime we modify our own financial position along Social Credit lines, there is no doubt at all that we can export at a price level which will provide us with the dollars necessary to meet the American debt without any very serious effect upon ourselves. But the one thing which in my opinion would be absolutely fatal would be to allow dollar diplomacy to operate, that is to say, **to agree to a reduction of the Debt in return for tangible political or industrial advantages.** While I have no direct information on the subject, I obtain the impression that this situation is fairly well understood in Government circles, and that unless some unforeseen calamity, such as the

substitution of a so-called (English) “Labour” Government for the present Government were to occur, we are fairly safe in this matter for the present. The election of a Labour Government, so-called, would without a shadow of a doubt **deliver this country over hand and foot to the unrestrained action of high finance**, probably led by such individuals as the **Marquess of Reading, Sir Rufus Isaacs, and the associates with whom the American Debt was originally contracted, and the outcome of such a situation could not fail to be calamitous.**

SPEECH BY MAJOR C. H. DOUGLAS

(At "The New Age" Dinner, March 18, 1933)

A FEW weeks ago I had a visit from a charming American lady of that age which is described in voting papers as "over thirty." She informed me that advancing years had presented her with the problem as to whether she would derive the more benefit from having her face lifted or her intelligence raised, and that she had decided on the latter. In consequence, at an age at which many people are content to retire from the more active occupations of life she had taken a B.A. degree at one of the better-known American universities, and had come over to this country to continue her post-graduate studies, and had been asked to address an audience of compatriots on the subject of Social Credit.

On my inquiring of her how this subject came within her programme, **she said that it was becoming recognised that the progress of the world could be marked more accurately by the emergence of an idea than by the biography of kings or statesmen and she did us, here in England, the compliment of assuring us that we were providing one of these turning points to which she referred.**

I mention this because the drama of events in the world at the present time provides so much to attract, the attention of all of us that there may be a tendency to suppose that the action of this man or that, or the enactment of a particularly vivid scene in this great drama of which we are witnesses is a matter of such importance as to sway the issue. Without minimising the immense necessity for the appearance of a personnel commensurate with the gravity of the issues, I do not think that, at any rate at the moment, this idea is wholly true. **What is happening in the world to-day is the clash of fundamental ideas, and those ideas will work, themselves out to what may almost be called their inevitable end,** attracting to their service great masses of individuals to whom they are con-genitally sympathetic.

At the present time it would appear superficially that **one of these ideas—that of a centralised domination of the activities of this planet**—had received, through its mechanism of international finance, a serious setback; I do not think there is any sound ground for this idea. On the contrary, I believe that this conception was never so near to success as it is at the present time, and I am by no means satisfied that a complete success will not be achieved within a very short period of time. **That that success will be short-lived I am confident,** not because of the ability of the individuals composing the world's populations to fight successfully against **the stupendous and far-reaching enslavement which is involved in it, but because of the inherent unsoundness of the idea and the internal disruptive forces which it is bound to set up.**

If we recall the history which most of us were taught in our younger days, we shall remember that it was assumed, almost without question, that a narrative of the actions and more especially the battles fought by kings, provided a clue through the maze of history and human development. It is quite possible, but by no means certain, that this may at a fairly remote period have had a substratum of truth, but it is, of course, certainly not true at the present time. **The actions of kings and the fighting of wars are not acts of initiative—they are the**

outcome of causes lying much further back. What, I think, is incontestably true is that the great underlying forces which inspire human nature to action do not change substantially, at any rate within the widest period of history which we can span, although, like everything else, they may be subject to evolution and they may change the forms of their expression. **A recognition of the truth of this is, I think, the shortest answer to proposals which involve for their acceptance a radical change in human nature.** We can re-group these forces and we can so alter their reaction to circumstances that we can achieve results just as radical as if we had changed the very nature of the forces, but this can only be done by an understanding of these forces and a conscious use of them rather than a wholly unscientific attempt to change their nature. **All progress in the world, and in some ways the world has unquestionably made progress, has been achieved by recognition of TRUTH,** and the reason that so little progress has been made in the solution of social problems is, to my mind, because in this sphere alone truth has been ignored or denied.

That is what is happening in the world today. **We see the great elemental desire for self-preservation sweeping millions of people along the path which leads inevitably not to self-preservation but to self-destruction.** In the East, the circumstances imposed upon immense populations, partly by their artificial restriction into areas fundamentally too small to support them, and partly by the reckless exploitation of Westernised groups acting under compulsion of a defective financial system, are seeking economic safety through the agency of wars, potentially so destructive that the mere idea of safety of any kind is grimly farcical in connection with them. Nearer home it is common knowledge that Europe is an armed camp, and that **armament factories controlled by our, old friend, Sir Basil Zaharoff, are working day and night to supply guns and munitions impartially to every side of the threatened conflict.**

This curious, almost suicidal tendency of the human race to act in such a manner as to multiply a thousandfold the very dangers which it is seeking to avoid has not escaped attention, and has, been put down by moralists, together with many other matters, as being due to original sin. An audience such as yourselves is hardly likely to accept such an explanation. To suppose that the average man is such a natural born fool that, with the awful memories of the last great war still engraved upon a living generation, there is a real desire to repeat those terrors upon an even more terrific scale, and with the added horrors that science has developed in the past fifteen years, is to ask too much of the credulity of any sane individual. **There is, in my opinion, no doubt as to the true cause of this pathetic misdirection.**

Running through all history like the thread of Ariadne, it is possible to trace a continuous policy which I can only describe as a divorce between things themselves and the description of them. A well-known instance of this, of course, is the glamour of war. **War, at any rate modern war, is a dirty, beastly, inhumane, insane undertaking, proving nothing, adding nothing to the content of human values, and incidentally definitely dysgenic,** having a strong tendency to kill off the best of the stock, and to leave the weakling to carry on the race. Not only that, but the conditions which accompany a war give play to intrigue, corruption, tyranny, and wire-pulling under cover of the suppression of publicity and the necessity for centralised control which are imposed by the exigencies of the struggle. Yet no war was ever carried on without a definite organisation to represent it as being in some way magnificent,

glorious, and ennobling.

This antithesis is a commonplace, and forms the basis of the misguided activities of pacifists unable to recognise **that without a rectification of the causes of war**, the suppression of war is as likely to be productive of good results as is plunging a sufferer from measles into cold water for the purpose of driving in the spots,

We are beginning to recognise, however, that this constant tendency to present a false picture of what is actually going on in the world extends all through our civilisation. **We who are dealing with the problem of finance recognise that the fundamental problem is this false picture presented by finance, of the facts existing in the world today**, and we know that finance and the people who operate the financial system regard it as of the first consequence that they should obtain control of the mechanism of public information, whether through the newspaper, broadcasting agencies, or the moving-picture, **so as to present a false picture of civilisation**, bearing only the most nebulous relation to the facts of the world as they do exist.

At this very period in which we live, it is probable that one of the fundamental struggles which is taking place, and one on which the future of civilisation depends perhaps more than on any other, **is the attempt to obtain an atonement, or as it has been pronounced an at-onement, between reality and the description of it**. It is the importance of that attempt which justifies the work which is being done by the Social Credit movement, which might be properly described as **a movement for honesty in public life**. It is elemental to say that no progress towards a sane world is possible while the symptoms of its malaise are subject to persistent misdirection. This is the justification for the short examination that I wish to put before you of what is going on in the United States and on the Continent at the present time, an examination which makes no claim to consideration other than that it is not made for any purpose other than to represent the facts as I see them.

The reason that the United States, in my opinion, should properly take priority in this examination is quite a simple one. **From the physical or factual point of view, the United States represents the furthest development of our modern power civilisation**. Simply considered from this point of view, and taking into consideration the lack of complicating factors presented by a continental organisation, containing within its political boundaries almost every raw material and natural resource required for the purposes of the highest material civilisation, we should expect any problems presented by a divergence between facts, and the presentation of the facts, to reach their maximum at this point, and we do, in fact, find exactly what we expect to find. This divergence, the paradox of poverty amidst plenty, has at this time reached such an intolerable stage that action of some sort to deal with the situation was plainly imperative. On March 4, Mr. Roosevelt took office as titular head of a population of 130,000,000 in effective control of a continent stretching from the Atlantic to the Pacific, and from sub-Arctic and sub-Tropical latitudes, and announced his intention of grappling with the situation without delay. His inaugural speech, so far as its denouncement of financial agencies was concerned, might have been made by anyone in this room, and must, I have no doubt, raised hopes in the minds of millions of his listeners all over the world that the doom of oppressive finance had been sounded, and that their champion was speaking to them. **I wish I could believe it.**

No one who has followed as closely as, no doubt, most of you here in this room have followed, the growth of criticism directed against the banking and financial system cannot fail to realise that had Mr. Roosevelt not also attacked it, he would have been branded at once in the public eye either as hopelessly ignorant and unresponsive to public opinion or as determined to stifle criticism, and the results might have been immediately disastrous. So far from shirking the subject, however, **he delivered an attack on bankers which, in violence, probably exceeded any attack which has ever been made by so responsible an official at any time, anywhere.** But I should like you to note most particularly that **the attack was made upon persons. It was not made upon a system.** And further, that the concrete steps which were made almost at the moment of his taking office, and which had obviously been prepared in advance, were all of them steps calculated to strengthen the banking and financial system as such. The problem, as stated by Mr. Roosevelt, before the world, was a **problem of relieving unemployment, and, as everyone in this room knows, that is not the problem before civilisation at the present time.** To descend from the sublime to the ridiculous, I notice that Mr. Lloyd George has emerged from retirement to make what I can only describe as a Vaudeville appearance, in which he has pointed out, firstly, that the United States has just emerged from an administrative control by financiers to the leadership of a man who is free of control from financiers, and, in another speech, that the provision of work is a great moral issue to which the Governments of the world must devote their attention. It seems to me that this was all that was required to round off the picture. **I find it entirely beyond my powers of credulity to believe that Mr. Lloyd George is unaware of the ring of financiers who surround Mr. Roosevelt, and without whom, no doubt, he would never had been returned to office.**

It is quite clear from these various pronouncements that the main lines of United States action in the present crisis are, firstly, to remodel the American Banking System on the British branch banking system so as further to consolidate the monopoly of credit in a few hands, and, secondly, by means of immense schemes of public works financed by loan credit issued by this strengthened banking system to induce both an increase of employment and a rise in commodity prices. **The public debt of the United States will be enormously increased at the expense of the private debt held by the industrialists, and industrialists will be reduced to a position which will make it impossible for them to form a menace to the bankers such as they undoubtedly offered in 1929.** At any rate, in theory, this will result in raising taxation of various kinds to fantastic heights, but there is nothing in the physical situation to prevent the colossal overheads being scaled down periodically while leaving the banks in supreme control of the situation. **There is one factor which seems to me not to be provided for in this scheme, and that is the impossibility of continuously employing the population of the United States without sabotage on a scale which can only be provided by war.**

On the Continent of Europe the economic situation has become secondary to the purely emotional situation, commonly called "politics." In Germany much the same kind of destructive criticism as that used by Mr. Roosevelt has been employed to produce a similar dictatorship in essence under Herr Hitler. You will not have failed to notice that immediately the dictatorship was obtained **the denunciation of financiers has died down,** and Herr Hitler has issued a plain threat to his own followers that what he now requires from them is discipline. I feel confident that every effort will be made to compose any difficulties which

might lead to war in Europe with what success only time can show. Viewing the whole situation shortly, then, **I can only see one stubborn fact which seems capable of resisting the immense political skill which is being employed to retain the control which finance has acquired over the lives and even the intelligence of the human race, and that is the steady advance of mechanical progress.** Under the existing financial system the retention of human employment as a condition of access to the means of life seems to me inevitably to involve what the professional economists call a “favourable balance of trade.” That favourable balance of trade most certainly cannot be obtained by commercial intercourse between highly developed nations, and it would appear essential that those nations under the stress of financial compulsion must compete for such markets as those of China and the undeveloped regions of the Middle and the Far East. **The Pacific, therefore, is, in spite of danger spots in Europe, the real centre of gravity, and it is there in all probability that the future of civilisation will be decided.**

That is the picture which we see in looking round the world today, and it would be difficult to deny that it is a gloomy picture. **It is the direct result of endeavouring to carry on the business of the world in accordance with a defective conception or idea.**

Now, it is my own belief, and I might almost say that it is almost my only religion, that there is running through the nature of the Universe something that we may call a “canon.” **It is the thing which is referred to in the Gospel of St. John as the “Logos,” the “Word” (Logos: “The Word” or “Reason”). [St. John 1:1, “The Word (Logos) was with God, and the Word was God.” (I am the Word, the Truth, and the Light). Social Credit is based on Truth and Reason.]** It has an infinite variety of names. The engineer and the artist refer to it when they say that they have got something “right.” Other people mean the same thing when they talk about **absolute truth, or reality.** By whatever name you wish to refer to this idea, it does not matter very much; we all instinctively recognise its existence whether we need it in something like architectural proportions as, say, the Cenotaph, or even in the grim lines of a battleship.

Genuine success only accompanies a consistent attempt to discover and to conform to this canon in no matter what sphere our activities may lie. For instance, I have no doubt whatever that there is one single test which can be applied to any financial scheme which is put before you for your consideration, and that is, **whether it represents reality, just as we know that the fundamental falsity of the present financial system is that it distorts and perverts reality.**

In this room I see the faces of many who have been associated almost from the very beginning, with the attempts that we are making **to discover and to follow this canon in regard to the matter of finance,** and I believe that the success which has been achieved up to the present, and still greater success that I am confident will follow after a period of storm, is due more than to anything else to the single-mindedness of those and many other people unfortunately prevented by distance or other obstacles from being here tonight, who have steadily pursued this idea. I say that **I am confident that single-mindedness of purpose directed to the pursuit of this canon to which I have referred is the only thing of absolutely primary importance in any undertaking.** Given that, forms of organization and other mechanisms for

the attainment of the and, necessary as they undoubtedly are, will, as one might say, provide themselves both at the right time and in the most perfect form that the necessities of the case require. **Because the canon is a spiritual thing**, the forms embodying it are of infinite variety, and, not only that, change from time to time, and **a slavish adherence to the form is a certain method by which to miss the canon.**

In a period such as this and in connection with matters so momentous as those with which we have to deal more especially as a measure of success begins to attend us, there are bound to be attracted not only further followers of the **TRUTH**, but others whose single-mindedness of purpose is not so pronounced. I am confident, however, that just as departure from the canon has produced the appalling condition of the world at the present time, so the existence of a growing body of people who are aware of the situation, and singly devoted to the bring back **UNDERSTANDING into relationship with REALITY**, constitutes **not only the great, but the only certainty that eventually a world system founded UPON LIES will give way to one which is formed upon TRUTH.**

DOUGLAS ADDRESS AT IPSWICH (ENGLAND)

(The following Address by Major C. H. DOUGLAS was given at Ipswich on April 4, 1933)

I SUPPOSE that it is not necessary at this time to stress the fact that what is called the “money” question has become a matter of general interest and controversy, and that the boycott which has been employed in the past to prevent its discussion has largely broken down.

Although this is so, it has, perhaps, only served to bring into sharp relief the fact that before any very effective discussion is possible in regard to the reform of the money system, the vast majority of people require to be submitted to something which I can only describe as de-mesmerisation in regard to the nature of money itself.

If we were to judge from the city columns of the London newspapers and that portion of the press which is specifically devoted to money questions, and had no other means of obtaining information, it would be impossible not to imagine that money and the money system are a natural phenomenon of the nature of earthquakes and the tides, and all that we can do in regard to the matter is to observe what happens, and without in any way attempting to control those happenings, by using the information so obtained, to prevent or at any rate to minimise the disastrous consequences which might otherwise overwhelm us.

It is no exaggeration to say that this describes the attitude of monetary experts, whose views obtain general publicity.

There is a growing circle of opinion which, while not regarding the money system in quite so fatalistic a sense (because aware of the control exercised over it by the banking system), is inclined, like President Roosevelt, to attribute the defects, and, in fact, the promise of irretrievable disaster with which the world is faced as the outcome of the working of the money system, to the stupidity and criminal selfishness of its leading bankers, which attitude can, I think, be paraphrased in the words of the well-known hymn that “Every prospect pleases, but only man is vile.”

I believe there are sound grounds for stating that neither of these attitudes can be wholly justified by an examination of the facts; at any rate, my own opinion in the matter, which differs somewhat from either of them, can be quite shortly stated.

The money system is a wholly artificial system, having in itself nothing corresponding to natural law in its composition. It is a man-made system, and it can be altered to any extent by its makers. It is a defective system for reasons which I propose shortly to indicate, and the chief complaint against the banker at the present time is that, as its defects place him in an extremely advantageous position in regard to the general community, he is resisting either investigation or rectification of it, and is thereby accepting responsibility for its defects.

I do not think he caused those defects, but I do think that he is opposing their rectification. Perhaps the simplest method by which a true conception of the money system can be obtained is by some examination of its historic origins, one of which is indicated by our word “pecuniary” from “pecus—cattle.” In primitive civilisation cattle were the chief basis of wealth, and were exchanged for grain and other forms of wealth by methods of barter not dissimilar to those which are growing up today as a result of the breakdown of the money system.

Since an itinerant grain merchant might obviously not wish to take delivery of cattle at the moment that he made his bargain, the custom grew of taking a leather disc representing one head of cattle, and at some subsequent date presenting this disc either by messenger or otherwise and receiving the cattle in exchange

It may be noted that at a much later date exactly the same process took place in regard to the goldsmiths, who are the lineal ancestors of our present bankers, only that in their case the wealth was handed to them for safe keeping and a receipt was given, the wealth being restored against the delivery of the receipt.

Reverting to the leather discs, however, certain most important points should be noted, firstly, that this primitive money was issued “by the owner of the cattle”—that is to say, the goods and the money representing the goods originally had the same point of origin, and, secondly, that the amount of money created was exactly proportionate to the amount of wealth in existence, so far as the system was in general use.

Simple and convenient as this system was, it is clear enough that it provided an opportunity for knavery. To understand how this knavery developed into the legalised modern banking system we have to turn again to the goldsmiths.

Originally, artificers in the precious metal, the mediaeval goldsmiths, by an easily understood process, developed into the custodians of the portable wealth of their clients, such portable wealth being deposited against a receipt given by the goldsmith himself.

Having the tangible wealth of his clients under his control, the goldsmith rapidly developed into a money-lender against tangible security. But a parallel development took place of immense importance, which was that the receipts for the tangible wealth deposited with the goldsmith, which were signed by the goldsmith, began to pass from hand to hand in settlement of debts, thus forming the original bank notes, since they had to be met upon presentation by the delivery of a specified amount of gold plate.

These goldsmiths receipts were found to be so convenient that they were used until they were worn out, passing from hand to hand exactly like a modern £1 note, and were only occasionally used for their original purpose of drawing out the gold plate from the custody of the goldsmith. It is quite easy to see that the bright idea of having two or three receipts for one piece of gold plate and using each of these receipts to obtain the equivalent value of the gold plate in other goods and services would soon occur either to the goldsmith or his clients, and would be quite successful so long as they were not actually used to draw out the plate itself

from the custody of the goldsmith.

THE MASTER OF MANKIND

The essential of the process would be the signature of the goldsmith upon the receipt, rather than the actual existence of the plate in his possession.

You will see how by an almost imperceptible process of transition the power of issuing money passed from the owner of the wealth, firstly, to the custodian of the wealth, and finally to any individual or organisation which had the reputation for integrity and would back that reputation by his signature.

At the present time this divorce between the owners or creators of wealth and the creators of money, or as it is technically called, "effective demand," has become almost complete.

In the modern world, as we have been specifically told by such a banking chairman as Mr. Reginald McKenna, all but an insignificant fraction, probably not amounting to more than 0.7 of 1 per cent. of the money in circulation, is actually created by the banks and is claimed as their property.

In technical phraseology, "every bank loan creates a deposit, and the purchase of a security by a bank creates a deposit, and the repayment of every bank loan destroys a deposit, and the sale of securities by a bank also destroys a deposit."

In plain English, this means that when a bank allows a customer an overdraft or discounts a bill for him, it actually creates the money represented by the overdraft, and lends it to the customer at interest, and when it buys a security, a stock, a share, or a debenture in the open market it gets it for nothing by the simple process of writing a cheque upon itself, which it never omits to honour.

Since the orthodox and correct definition of money is "anything, no matter of what it is made, nor why people want it, no one will refuse in exchange for his goods or services," you can see at once that this monopoly of the power of creating money, or, as we call it, "the monopoly of credit," means that those who are in possession of this monopoly are the potential or actual owners of everything produced in the world.

Now by a convention, the origin of which goes back into the mists of antiquity, a debtor is the servant of his creditor until his debt is repaid, and since the banking system is the origin of modern money and never gives money, but always lends it, and since under our modern money economy we are all of us obliged to have the use of money, we are quite indisputably all of us directly or indirectly the servants of the banks.

I do not suppose that this point requires much emphasis at the present time, but if it does I would merely ask you to consider the effects that have been produced by what is, in fact, merely a moderate deflation or retirement of bank money during the past fourteen years,

and to imagine, if you can, the effect which would have been produced had every bank in this country called in every loan which it held upon its books, as legally it was entitled to do.

I feel sure you will agree without further argument that money at the present time is our master, and not our servant.

It will at once occur to many of you to object that, while the money system, with its mechanism of the banks and insurance companies, is plainly, at the present time, the master of mankind, banks, insurance companies, and other financial institutions are like anything else, subject to the Governments of the country in which they are situated.

Exactly to what extent this is true in Great Britain in view of the fact that the Bank of England holds its charter from Parliament it is very difficult to say, but there is no doubt whatever about the position elsewhere. Twenty-six new central banks have been founded since the war, not including the Bank of International Settlement, which forms a coping stone of the international banking organisation. Each one of these contains in its constitution an article specifically placing it outside the control of the Government of the country in which it is situated. During the financial crisis of 1932, Mr. Hoover, then President of the United States, addressed a strongly-worded letter placing responsibility for the crisis on the Federal Reserve Bank system, which largely constitutes the central banking of the United States. Mr. Eugene Meyer, on behalf of the Federal Reserve Bank, replied that the President's views should have consideration. Whether they did have this consideration or not, no action along the lines indicated by ex-President Hoover was taken.

There is, in fact, at the present time in full operation an international government of the world operating through the economic system of every country, not elected, not subject to removal by any of the ordinary mechanisms which we apply to political government.

It is quite obvious that the important question in regard to this situation is whether the results which are obtained by this international government are satisfactory, and for an answer to this question I think we have only to look around the world at the present day.

The first aspect which strikes us, although perhaps not, in fact, the most immediately important, is what shall come to be known as the paradox of poverty amidst plenty. To see this in its simplest form we have again to turn to the United States of America, where real—that is to say, physical—wealth and the means to produce wealth have been developed to an extent probably exceeding that obtaining elsewhere.

Not only that, but the United States is the outstanding example of an immense continental area, free from internal tariffs, producing pretty nearly everything required for her own consumption, and apparently in control of her own destiny to an extent not equaled elsewhere. Yet at the present time there are said to be 40,000,000 of people actually faced with starvation, while at the same time immense quantities of foodstuffs and other valuables are being destroyed or wasted because they cannot be used. The same situation can be found in every

highly industrialised country. Germany, probably the next highly industrialised to the United States, is a good second in the magnitude of her internal problems.

But, while this paradox of poverty in the midst of plenty is serious enough in all conscience, a second problem, arising directly out of it, is in a sense more serious in that it may finally destroy civilisation. I refer, of course, to the threat now so imminent of another great war.

It is now becoming widely understood that the danger, or perhaps, one might almost say, the certainty, of war arises directly out of the conditions caused by the existing financial system. These conditions require that every country shall have what is called a favourable balance of trade. That is to say, that it shall export more than it imports.

It is quite obvious that a hundred years ago, when practically the only industrial nation was our own, and there was the whole world to export to, it was easy to have such a so-called favourable balance of trade.

But as intensive industrialisation has placed the same problem before the politicians of every country, and at the same time the undeveloped regions of the world have been steadily shrinking, the competition for the control of areas in which to dump the exports required to produce this so-called favourable balance of trade has become intensified, and has now reached a point at which for practical purposes China and the Far East generally form the sole prize left for competition.

Failure to compete successfully means an internal so-called unemployment problem, and success in the competition can only be accompanied, as you may see by reading your daily press, by war either with or against Japan.

It is doubtful whether any human action can avert the consequences of this situation in time to be effective, but it is quite certain that only a radical change in the financial system can touch the roots of the trouble.

GOOD-BYE TO POVERTY!

Let us now see if we can ascertain the main lines such a reformation would have to take.

Let us first begin by realising that the poor are not poor because the rich are rich. If everyone who needs bread today had it the rich would have just as much bread as they use. The same argument can be applied to almost every item which goes to make up what we call “a high standard of living.” **The very existence of what has been referred to as the economic paradox—that of poverty amidst plenty—ought to be sufficient to indicate to us that it is a shortage of purchasing power, and not a shortage of real wealth, which is at the root of our troubles.**

Another way of putting this, and one which is essential to an understanding of the situation, is that the financial system as it exists today presents a false picture of the economic state of affairs in the world. If you will take your minds back to the original money system founded

upon leather discs representing cattle, you will remember that there was a strict relation between the number of cattle and the number of discs—one disc, one head of cattle. Now there is no such relationship today.

The simplest way of realising this is by realising that if you grow a ton of potatoes, you do not in any way grow or produce the money wherewith to buy that ton of potatoes. If you sell your ton of potatoes, you merely get for them the money that someone else had previously. **The manufacture and production of goods and services in the modern world is a process fundamentally separate from the manufacture or production of the money wherewith alone they can be bought.**

It is in this fact that the germ of the illusion of poverty amidst plenty arises, and the first necessity of a sound money system is that it should present a true picture of real wealth as it exists from day to day.

The second necessity of a sound money system at the present day is one of almost equal importance and carrying with it the seeds of an entirely new civilisation. It arises out of the introduction into the industrial and economic process of solar energy, by which I mean what we commonly refer to as mechanical or electrical power. Most of us in a vague way realise as we put it, that machinery is displacing labour, but few of us who are not specially engaged in research into the matter realise to what an extent this is true.

One of my friends has calculated that without any marked improvement of process, but merely proceeding along our present lines, we should by 1940 have over eight million unemployed in this country, for the same output, and as, at the present time, there are under seventeen million in the employable population, that will mean that more than half of the employable population will be, as we now phrase it, “unemployed.” Personally, I have no doubt that this is an under-estimate.

I have in my possession curves which I propose to exhibit in the course of a paper to the Institution of Mechanical Engineers at Cardiff on Thursday, which show that the human labour required per unit of average production is decreasing as the fourth inverse power of the increment of time.

If this curve is correct, and I have no reason to doubt its reasonable accuracy, then in ten years' time the necessary work of the world could be carried on easily by about a tenth of the available labour.

You will at once see that this factor renders a distribution system founded on a wage and salary system almost wholly obsolete. If you have nine-tenths of the population unemployed, as we phrase it, even if the other tenth is easily capable of producing all that the whole population requires, nine-tenths of the population will not receive wages and salaries, and therefore will not be able to buy the goods that are produced.

It seems to me to be entirely beyond reasonable discussion that this system can only be met by a wide extension of the dividend system, and you will not fail to notice that at the

present time the financial system, so far from extending the dividend system, is making it nearly impossible for the average commercial undertaking to pay a dividend at all.

You will realise, without much difficulty that, while the main necessities of the situation are largely covered by these two far-reaching modifications, the details become technical and are not, in my opinion, very suitable for elaboration at a public meeting.

I have published a tentative scheme embodying “A Draft Scheme for the Reconstruction of Scotland.” This scheme was first published in the *Glasgow Evening Times*, and has recently been reprinted in the *New English Weekly*, *The New Age*, and the *Free Man*, the latter being published in Edinburgh.

Amongst the more general results of putting into operation such a scheme might be mentioned the fact that the general population would be free for ever from poverty and the fear of poverty.

What is known as the “unemployment problem” would disappear for ever. While foreign trade would still be desirable and would probably, in my opinion, increase, there would be no “financial” necessity for foreign trade, because there would be no necessity as at present for what is called a favourable balance of trade, and as a result of this we should remove for ever the fundamental incentive to war.

The labours of our scientists, our engineers, and our organisers have brought us to the edge of a new world—a world of leisure affording opportunities for the expansion of a real culture, such as history has never even contemplated.

If we refuse to accept this opportunity which has been placed before us, and from entering into which we are only prevented by an obsolete, if not iniquitous, financial system, make no mistake as to the issue.

There is no possibility of a peaceful retreat into the age of leisure. The alternative is a world cataclysm, in which this civilisation may easily pass away, as did those of Egypt and Rome, probably from substantially the same causes.

INTERNATIONAL FINANCE

THE NECESSITY FOR A NATIONAL RATHER THAN AN INTERNATIONAL FINANCIAL SYSTEM

(Major C. H. Douglas, address to the Bournemouth Rotary Club, June 20, 1932)

PERHAPS the simplest approach to a grasp of a subject which at the present time transcends in immediate importance that of any other, is obtained by observing that finance at the present time is subject to international rather than national control. This control so far as Great Britain is concerned, may not be so absolute as was the case a year ago, when we were still operating our finances on what was erroneously called the "Gold Standard," which was, in fact, nearly an international system with a somewhat nebulous gold backing. But the international element in our finance is still very strong, and our central bank, the Bank of England, is unquestionably swayed by many considerations which are not related to the special interests of the people of this country. It is by no means certain for instance, that the so-called departure from gold is anything but devaluation of a gold exchange standard.

As a result of the international nature of finance, we find that in varying degree the present economic crisis is a world crisis, and because finance is in a position to control mass publicity (and, in fact, control of finance and control of publicity may almost be said to be interdependent), we notice a general suggestion in the inspired Press that the international character of the economic crisis is inevitable, that the world is now one economic unit, and no nation can be restored to economic health by means of a world-wide character.

Whether it be because of the natural intellectual laziness of human nature, or as a result of the collective hypnotism which is imposed upon us by our Press and broadcasting agencies, it does not even seem to occur to people to question the manifest absurdity of such a statement. Yet the most cursory investigation is sufficient to disclose the fact that, at any rate, at present, the world crisis is a money crisis and not a goods crisis—that we are starving in the midst of plenty. I may say at this point that should the sabotage and the breakup of productive organisation continue at the pace at which it is now proceeding, I can easily conceive it as being possible that the money crisis may merge into something very much more real in the form of a famine of goods and services. At the moment, however, there is not any failure of the productive system, but a failure in the link between production and consumption; in other words, the money system. There can be no other possible cause of what is called the "economic paradox," by which the world is starving and in a state of economic crisis amidst a plentiful supply of real wealth of all descriptions. And however far from technical perfection may be the production system, and however far from moral perfection may be either labour or the consumer, it is beyond possible discussion that the control of the situation at the present time is vested in those who control this link which connects the producer and the consumer.

At the annual meeting of the Bank of England in 1930 one of the principal shareholders,

Mr. Hargreaves, remarked, "They held the hegemony of the world." Mr. Montagu Norman, the Governor of the Bank, commented on this to the effect that he believed it to be largely true, and that it was the result of the work which the Bank had devoted first of all to the stabilisation of Europe, and secondly to the relationships between the central banks. So that, I think, we are in a position to say that, on its own showing, international finance has been, and, for that matter, is, in control of the situation, and if this is so, the present situation is the direct result of this control, and international finance is responsible for it.

What is that situation? Germany, probably the finest technically equipped nation in the world, is in a state of starvation and distress, which may at any moment resolve itself into revolution. Austria, the special object of the attention of international finance, is ruined and despairing. The United States of America, which offer in themselves an example of a continent operating under a single unified currency, complete freedom of trade, almost unlimited natural resources, and a high-trained industrial and farming population, is faced with a situation which, if it is not relieved in the coming winter, will unquestionably break out into armed civil war, in spite of the fact that the late Secretary to the Treasury, now Ambassador to Great Britain, announced a few weeks ago that deflation was proceeding smoothly, and without rioting. The curve of suicides and the curve of bankruptcies compete with each other in their rise to ever-fresh record heights, and mutterings of a coming world war can be plainly heard by those who are trained to hear them. Side by side with this situation is an increasing volume of organised propaganda for the abolition of national sovereignty, the international and general detestation of war (not merely as a moral crime, but as a manifestation of world insanity), being capitalised to suggest the surrender of individual, local, and national initiative into the hands of international authorities who, as I have endeavoured to suggest to you, have demonstrated their signal unwillingness to deal with the situation. The argument that war is a result of the existence of nations and would be abolished by the abolition of national sovereignty is just about as sensible as to say that quarrels between individuals are the result of the existence of individuals and would be abolished by the abolition of individuals.

Now, since there is no question of the existence of a very considerable measure of internationally controlled finance, and we daily have evidence of systematic propaganda for its extension in the face of the conspicuous lack of success which attends its efforts to the extent that they are directed to the advantage of the individual, it may perhaps be worth a few moments' attention to consider what are the probable motives behind such a policy. In the first place we can, of course, put out of our minds any material advantage to its protagonists, who are for the most part in potential possession of all the material wealth that the world can afford. The first objective is, I think, unquestionably that which has always been operating in a certain type of mentality through historic times—the desire for power. As at present constituted, finance is the pre-eminent agent of policy, and financial control of the world would mean control of policy of the world; in other words, a world dictatorship.

But I do not think that this fairly obvious explanation either goes quite deep enough, nor does it, in fact, provide us with a sufficiently broad basis for criticism. When we accuse the world's great financiers of being merely conscienceless buccaneers, there is a sense in which we do

them less than justice, and at the same time fail to recognise the deadly danger which they embody. The great financier is in most cases a great idealist, and sooner or later constructs a Utopia which it is his constant endeavour to impose upon the world. Now the point I wish to make to you, and which I feel sure will at first have a tendency to shock you, is that society is never in more deadly danger than when it is committed to the mercies of the idealist, and particularly the Utopianist. The fact is that there is no single Utopia which would give satisfaction to more than a very small percentage of us, and that what we really demand of existence is not that we shall be put into somebody else's Utopia, but that we shall be put into a position to construct a Utopia of our own. And this idea of a centrally controlled world in which everyone lived under uniform conditions, elaborated on the basis of statistics, either of the Census or otherwise, is at the back of the drive which is being made to induce us to believe that the world can be considered as a single unit.

Cultures, climate, tradition, race, and habit, all give the lie to this idea, and as the human personality develops, it becomes more individualised and specialised in its outlook, and less and less amenable to one universalised set of conditions.

It is, therefore, I think, permissible to say, even if we assume an extraordinary high level of administrative integrity detached from all possibility of sectional influence, that a world finance, which means in essence control of world policy, is wholly unsound in principle and based upon what can only be called in the most moderate terms, a complete misconception both of human nature and successful organisation. There is not, however, to be brutally frank, any sound ground of experience for assuming that such detachment is reasonably possible. To anyone with knowledge of the League of Nations at Geneva, or the Bank of International Settlements at Basle, it is beyond reasonable question that those institutions from their very inception have been the focus of intrigue and wirepulling, apart from their conspicuous failure to achieve the results for which they were ostensibly created.

It is not my intention to touch at any great length upon the purely technical side of the problem, but there is one aspect of it which is easily grasped and which is of first-class importance, and that is the one which was expounded with great ability by Professor J. W. Scott, whose views, which I endorse, may be given in his own words. "If the country's money is peculiar to itself, and sells abroad purely as a commodity, the British manufacturer can henceforth have no rivals in the home markets except his own countrymen, even when the country's ports are free." The reason for this is, of course, that the British manufacturer will only accept payment in British currency, and the purchase of foreign currency by British currency does not mean that so much trade has permanently gone abroad, but, on the contrary, means that the money which went to buy the foreign currency must eventually return in return for British goods, as it is only at that point that it is available for purchasing power.

To any unbiased observer of the condition of the world at the present time it must be obvious that the populations of the world are becoming increasingly dissatisfied with the outcome of the policy of delegated responsibility. We have delegated our personal quarrels to the law, and the law has become so encumbered and expensive that the wise man is prepared to accept almost any injustice rather than to invoke it. We have delegated our agriculture to the forces of international speculation, and our agriculture is ruined, and we are liable to

starvation in six weeks' time if a blockage is established. It seems to me that the delegation of finance, which has already been wrested from the control of the individual, to a *de facto* international government, or to some international organisation which would be completely outside the control of every individual whose interests were at its mercy, would be equal to setting up a nightmare tyranny beside which the dream of world dominion attributed to Napoleon and the last Emperor of Germany would be attractive.

“THE ABOMINATION WHICH MAKETH DESOLATE”

(Major C. H. Douglas – see also *The Monopoly of Credit*, Appendix I)

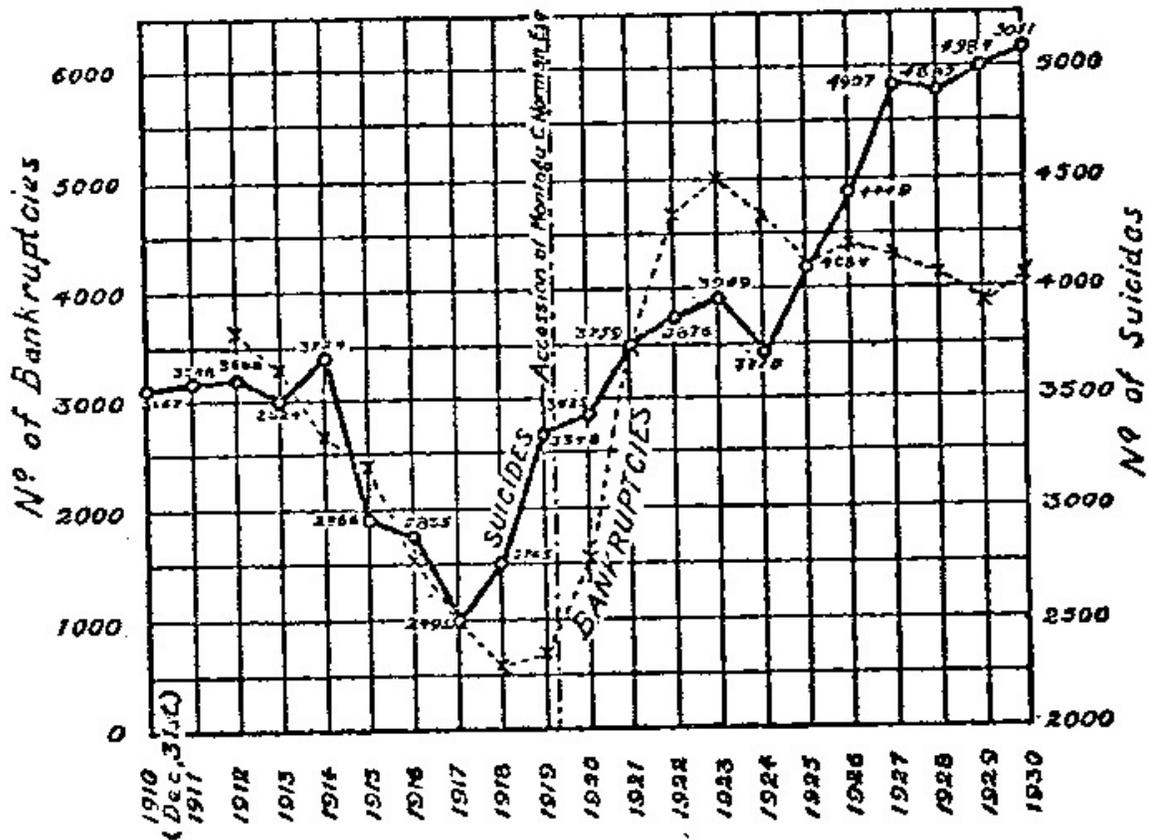
IT is an unfortunate defect in our attitude towards human affairs that we place an inordinate value upon human life, but a trivial value upon human happiness. You may subject an employee or a member of your family to persistent mental and physical cruelty in the form of bad working conditions, unjust treatment, and a myriad other minor and major inhumanities, and within very wide limits (and in particular if you do not exceed the conditions which are accepted as normal) it is unlikely that you will receive much criticism. You may lend a widow £20 and make her life a misery by the recovery of interest at 75 per cent. per annum, and unless, as is most improbable, she herself takes the matter into court, nothing will be heard of it. But if the widow's son, goaded by his mother's misery, in a fit of uncontrollable rage waylays the money lender with a coal hammer, and removes that gentleman to other spheres of activity, the son will, in all probability, be hanged, after the whole tremendous machinery of the law has automatically been set in motion for his apprehension and destruction, and the mother will be rendered still more miserable.

In consequence of this curious disregard for long drawn out misery, and the disproportionate solicitude, in regard to the final termination of it, there are no statistics of human unhappiness until that unhappiness becomes so unbearable that the sufferer feels that it can no longer be endured, and himself places a period to it by suicide. When such a climax has been reached, however, society immediately takes an effective interest in his remains. It employs scientists to ascertain the physical cause of death, and detaches citizens from their normal pursuits in order that their observations on the state of mind of the deceased, who, for the first time, becomes interesting, may be recorded. Finally, the suicide becomes an item in a book of statistics, and is available as the raw material of a curve.

It is evident, I think, that one may regard suicide as being the culmination of a long period of unhappiness and mental or physical stress, although not all mental and physical stress culminates in suicide. If, therefore, we can find a set of statistics which in the main vary in accordance with the statistics of suicide, we are, I think, in a position to say, in the phrase of the mathematician, that one set of statistics is a function of the other; that there is something which connects the two sets of statistics.

Now a glance at the graph is sufficient to show that one of the curves is a function of the other. In fact, the variation of one curve in accordance with the variation of the other is most remarkable, and is sufficient to show that the intervention of any other cause not allowed for in the plotting of the two curves is surprisingly unimportant. Where two curves vary together one of them is called the “dependent variable,” and the other is called the “independent variable,” and we have therefore to decide whether it is suicides which cause bankruptcies or bankruptcies which cause suicides. This dilemma need not detail us long. We have only to examine the recorded reasons for bankruptcies, and the

reasons for suicides, to find that, while financial worry is the commonest predisposing



The curves demonstrate in a remarkable manner the predominant effect of financial anxiety in contributing to despair and suicide. The deflationary policy of the Bank of, England, inaugurated in April, 1920, was immediately reflected in a rise during that period of bankruptcies from just over 700 to just over 1500. During the ten years in which this policy has been in operation, bankruptcies per annum have increased by 60 per cent., and suicides by nearly 100 per cent.

cause of suicide, suicide is almost never given as a predisposing cause of bankruptcy.

We can therefore deduce from official statistics that the greatest factor in human unhappiness is financial worry, of which bankruptcy may be regarded as the final stage. We can also deduce from the same statistics that this unhappiness is not inherent in the nature of things, but is a definite and traceable result of a policy, human in conception and human in execution. On the basis of the curves shown, human distress, mental and physical, in this country has increased by more than 100 per cent. in the last ten years, and that increase coincides with the period of office of the present Governor of the Bank of England. I have no doubt at all that he would be horrified to believe that he had doubled the misery of this country in ten years, and very probably had been instrumental

in a similar situation in all those countries where the policy of the Bank of England has become effective. But while I should not suggest for an instant that Mr. Norman has been actuated by anything but what he considers to be the best motives, I think that it is time our English convention (that no individual is responsible for the policy which he carries out if he does not originate it) should be dropped, and that Mr. Norman should be identified with the results of the Bank of England's policy, so long as he remains Governor of the Bank of England.

I fear it will not happen, but if a few rough, vulgar men could express to Mr. Norman their rough, vulgar opinion of a policy by which English and Scottish men and women are being butchered to make an international financial holiday, it might act as a stimulant to his imagination—if he recovered.

THE RELATION BETWEEN THE MONEY SYSTEM AND INDUSTRIAL ORGANISATION

(C. H. Douglas, reprinted from the *New English Weekly*)

THERE is probably no aspect of the economic life of the nation which has been the subject of greater misunderstanding than that which I have chosen as a title for my address to you tonight. In the past, authority and economic privilege have been so inseparable that it has unconsciously come to be assumed by the great majority of people that they are—

(1) In fact, inseparable, and that one of them is a consequence of the other. Another way of putting this confusion is that policy and administration have been assumed to be the one and the same thing, an idea which is, of course, at the bottom of most socialist schemes for the re-organisation of industry.

(2) Possibly arising out of this idea is the allied idea that what is called “profit” is in itself a wrong thing, and that a system which produces for profit is condemned on those grounds alone.

Now before endeavouring to separate and analyse this confusion, which is world-wide, in regard to the two quite separate subjects of policy and administration, I should like to devote a few minutes to this question of profit, because, in one form or another, it is probable that the whole future of civilisation depends on a right understanding of it, at any rate, by an informed minority.

(3) The subject is commonly approached as though profit were an artificial thing, simply dependent upon some system, most usually referred to as the capitalist system. The first point on which to be quite clear is that the modern system of production, at any rate, quite inevitably, makes a high profit.

(4) What it fails conspicuously to do is to distribute that profit, even to the capitalist.

(5) In order to understand this most important point, I should like you to substitute for the word “profit” the phrase “the unearned increment of association.” Now what do we mean by this? I think that I can put it into terms which will be grasped at once by a railway audience, and particularly by railwaymen who have experience on railways in new and rapidly developing countries. Consider the case of a railway in a new country. Almost invariably it starts from some town on the coast, which has been developed so as to become a centre of population and of importance. The line is pushed out into the hinterland, and, immediately, land on either side of the railway line jumps enormously in value. Please be quite clear in your mind that not only does it jump in price, but it jumps in real value. If, for instance, it is growing wheat, the wheat belt on either side of the railway is available to a far larger population than was the case before, or, as it is commonly put, gains access to the world’s market. It is quite impossible to say, with any

truth, that this increase of real value, both in the wheat and the railway line, because it traverses the wheat, is due to the efforts of either the people who constructed the railway or the people who grew the wheat. It is something which arises automatically from the association of the two of them. Just for the moment, notice that, though the land rises both in value and price, it does not thereby create any new money to pay the price. Now this idea of creating the unearned increment of association is the root idea behind our modern production system.

(6) When we bring a number of men together in a factory and link their efforts by real capital (by which, of course, I do not mean money, but tools and processes, and organisation, and scientific knowledge, and many other things) we do so because by bringing them together to use these things their production is enormously in excess of what it would be if they worked separately, and the fact that this idea is unquestionably and fundamentally sound has nothing whatever to do with the alleged annexation of the whole of this profit or unearned increment by something called the capitalist, assuming that he does, in fact, annex it, which is increasingly doubtful. The point that I am concerned to make is as to the existence, actual or potential, of this real profit.

(7) Now, one of the factors, and only one of the factors, in obtaining this real profit, is administration, and I should define administration as being a concerted attempt at co-operation for the attainment of a given policy. If you have grasped the foregoing, I think, quite simple idea, I think you will agree that the proper objective of policy to apply to a production system is to aim at the greatest possible unearned increment of production, or profit, in a real, as apart from a financial, sense.

(8) Before turning to the problems involved in the distribution of this unearned increment, when we have succeeded in obtaining it, I should like you to consider our actions at the present time in the light of this idea. Are we either pursuing the objective of maximising the unearned increment of production preparatory to distributing it, or are we, in fact, aiming at something entirely different? I think you will agree on examination that two completely opposite and mutually incompatible policies are at work in industry at the present time. Let us consider, for instance, the railways. What is the object of a railway?

(9) That seems to be a simple enough question, but there are quite a number of answers which could be given to it at the present time. If you asked an intelligent child, he would give you, in effect, probably the most intelligent answer which could be given, and that is that the object of a railway is to deliver transportation service; but if you were to ask a truthful employee of a railway, he might say, "The object of a railway is to pay my wages" and if you were to ask a truthful financier, if there is such a thing, what the object of a railway was, he would reply, "To make profits," and by profits he would mean money profits.

(10) Now, two out of three of these answers quite definitely assume that a railway makes money, using the word "make" in the same sense that we use it when we say that a brick-making machine makes bricks. But a railway does not make money at all; it makes transportation and when it sells that transportation in exchange for money it merely gets the money that somebody else

had, so that you see there are two quite distinct policies running through the operation of a railway and since it is a fundamental of the existing financial system that any

(11) business undertaking must at least recover the whole of its disbursed costs from the public, or go into liquidation, it does not take very much consideration to see that the first and ruling policy of a railway is to get money from the public to meet both the demands of its employees for wages and salaries, and the demands of the financier and the shareholder for dividends and that any quarrel as between the wage and salary earner and the dividend receiver is merely an internal quarrel, which does not, as a matter of fact, affect the over-riding policy.

(12) Now the next point which I think it is necessary to examine is whether a policy such as I have suggested is laid down by the existing financial system and a policy of making a railway the most effective instrument for transportation can be pursued at one and the same time and I will say at once, before going further, that I do not think that this is possible. Remember that the over-riding policy—that is to say, the policy without which under existing circumstances, the railway cannot continue to exist at all, is to obtain wages, salaries, and dividends from the public.

(13) If less money can be obtained from the public for the transportation service, then less money can be paid to the employees of the railway, or to the share holders. Not only that, but less money can be expended by the railway in improving and maintaining its rolling stock, its organisation, and its equipment generally.

(14) The situation which is created is, I think, entirely beyond dispute. It is a situation which involves quite fundamentally an antagonism between such a thing as a railway organisation and a public. The over-riding interest of the railway company, considered as an organisation, is to get the maximum amount of money from the public. The over-riding interest of the public, considered as an organisation, is to get the maximum service from the railway, with the minimum amount of payment in money.

(15) I do not suppose that, as individuals, there is a single member of the public who does not hold the railway service, particularly in England, in the most whole-hearted admiration, nor do I suppose that, as individuals, there is a single member of the railway organisation who does not fundamentally regard himself as a servant of the public. But while this is so, the sentiment which is involved is, I think, in practice almost wholly ineffective. It may have some influence in promoting those kindly and courteous relations between the individuals of the public and the individuals of the railway service, which do, on the whole, exist, but, to put the matter in the most simple terms, it does not prevent the average railway passenger or consignor of freight considering that he is being exploited, nor the average railway servant from considering that he is underpaid. There is, moreover, an influence at work in this situation which, in its effects on the railway itself, I believe to be wholly bad.

(16) For reasons into which it is not necessary to go at the moment, the financial cost of any service, such as that of the railways, has a tendency to rise above the ability of the public to pay the prices demanded. The result of this is to stimulate the public to find an alternative

source of the same service, as, for instance, road transport, at the present time. The reply of such a large organisation as a railway system almost invariably would be to create a monopoly with a view to strangling such competition and leaving the public no alternative but to pay the price demanded. The outcome of this is the artificial obsolescence of a means of transportation which may, and probably has still, important functions and service to render to the public. The strangulation of the canal system in England by the railways and the threat to the railway at the present time by the roads, are instances of what I mean, which will be readily appreciated by a railway audience.

(17) Accepting the foregoing statement as being reasonably beyond effective contradiction, which I think is the case, is it possible to find, without over-simplification of the problem, any root cause of this radical divergence between the interest of the railway, considered as an organisation, together with its employees, and the interest of the public? Certainly I have no doubt whatever that there is such a root cause, and it is not really very difficult to discover. Put into general terms, it is that there is no provision in the operation of a railway for the monetisation, in the first place, and the distribution of that monetisation in the second place, of what we referred to as “the unearned increment of association.” Looked at from the realistic point of view, every additional service which a railway renders is not only an increase in the wealth of the world by the amount of that single service, but it is a contribution, by the process which I described at the beginning of my address, to this unearned increment of association. But as things are at the present time, such an additional service must inevitably be paid for by extracting a certain amount of money from the public, or else it must be paid for, as one might say, from the opposite side of the ledger, by getting more service from the existing railway organisation without the distribution of more money. In neither of these cases is there any financial reflection of the physical process which has taken place.

(18) It is quite a fallacious argument, although I have heard it advanced, to say that the public receives this unearned increment by getting more value for the same money. If the Great Western Railway were to put on an express train from Snow Hill to Paddington at 10 o’clock, which would enable me to get back to London tonight, that train would have to pay for itself by collecting more money from the public than would otherwise have been collected, and there is nothing whatever in the organisation of the Great Western Railway Company which will enable it to distribute new money equivalent to the service performed by the new train. In other words, the cost of the new train has to be collected from the public out of an existing stock of money.

(19) If I have made myself at all clear, you will, I think, have begun to see that all questions of the administration of a railway, such as nationalisation, are completely outside the over-riding necessity of, as the phrase goes, “making a railway pay,” and making a railway pay simply amounts, in the last analysis, to obtaining more money from the public than is distributed through the wages, salaries, and dividends paid out by the railway. If we universalise this, we can see that the proposition is an impossible one if we regard money as being a fixed thing over which we have no power of expansion. But we know quite well that money is no such thing. It is no more fixed in amount than the number of tickets which are issued by a railway company are fixed in amount. To quote Mr. McKenna, of the Midland Bank, we know how the amount of money in a country varies. “Each loan by a bank creates a deposit, or an

increase in the amount of money in the country, and the repayment of every loan destroys the equivalent amount of money.” Similarly, the sale by a bank of a security decreases the amount of money in the country, and the purchase by a bank of a security increases the amount of money in the country. So that we have two entirely separate and distinct processes going on in the industrial world at the present time.

We have the vast technical organisation, railways, factories, farms, and other productive enterprises, which are engaged in actually producing wealth in the true sense of the word. Parallel to these we have an entirely separate organisation, which creates money, and lends it to these organisations for distribution to the public through the agencies of wages, salaries and dividends. Since it is beyond all question, and is not denied, that this money organisation has control over the rate at which it creates and withdraws money, it seems beyond reasonable argument that either the whole economic process is under control of the money system which it forcibly slows or accelerates, according to financial policy, or, alternatively, the two, more or less, pursue separate courses, and bear no very direct relation to each other. As a matter of fact, I think that both of these conditions exist to some extent in the economic life of the nation and the world today; that there is a strenuous effort made on the part of the banking system to control and influence the real productive system, and this is only partially successful, with the result that finance and industry can, at the present time, bear less and less relation to each other. If you had a railway which was fully equipped with locomotives, rolling stock, permanent way, and other necessities of a flourishing system, and you had a public which was clamouring to use this railway, but was met by the statement that only a limited number of tickets would be issued because the traffic department refused to issue more except on its own terms, you would, I think, agree that it was time something happened to the traffic department.

We are exactly in that position today in the industrial world. Our equipment is wholly adequate, our public is clamouring for the goods, but in between the two stands a ticket office, and that ticket office is the banking system. I have no doubt that the first step, towards dealing with this question is to bring that ticket office under control, not necessarily by nationalising it, but by putting it into such a position that it must obey instructions in regard to the control and the issue of what is called “credit.” Personally, I do not think that nationalisation of the banks is either necessary or wholly desirable. Unless done with great care, it would tend to ensconce in the bureaucracy of the nation something which is already tremendously strong, and which, under those conditions, would appear to be almost impregnable. Certainly, whether ultimately nationalised or not, I think it would be absolutely suicidal to nationalise the existing financial system. It is very questionable whether at the present time the banking system is not a great deal stronger than the governmental system. If it were incorporated in the governmental system without change, I see no earthly power which could reform it successfully without a military revolution.

DOUGLAS URGES PLAN OF ACTION

*Following are some very significant extracts taken from a speech by
MAJOR C. H. DOUGLAS*

WHAT are we aiming at? What are we trying to get?

Well, now, I will put it in a very large general form, as I see it from one point of view.

We are endeavouring to bring to birth a NEW CIVILISATION. We are doing something which really extends far beyond the confines of a change in the financial system.

We are hoping by various means, chiefly financial, to enable the human community to definitely step out of one type of civilisation into another type of civilisation, and the first and basic requirement as we see it, of that, is absolute economic security.

Now, if you accept that as a general statement of a proper and reasonable and timely object, then I want you to consider and agree with me that we want that objective on our own terms.

We are not going to sell our birthright for a mess of pottage.

It is quite definitely a birthright. I was speaking to a large meeting in Newcastle one night, and one person got up in the audience and said: "I am very puzzled about one thing. In the civilisation in which I have lived up till now, the human individual's title to a share in what you have been talking about (I had been talking about the Unearned Increment)—what I have always understood as the ordinary man's title to a share in the products of Industry, was employment. Now, employment is failing, and you have been telling us that you think it is a good thing and a proper thing! What is your definition of the title of the ordinary man to a share of the products of Service?"

The answer I gave to him was: I think the true title to a correct share—an overwhelmingly satisfactory share—of the goods and services now available, is that every citizen of this country, at any rate, is a tenant for life of the Heritage of Western Civilisation.

* * *

I said a short time ago that we were in a position to change over from one civilisation to another.

That may have many aspects; I think it has, but the feet of people on this earth are on the ground, and the groundwork of all civilisations is economic. It is not the whole, but it is the groundwork. Man is not in a position to devote his time to other things unless he has bed, board and clothes. This situation is clearly, to my mind (and when I say "to my mind," I mean proved by solid, firm statistics), based on this glut, and one of the things which we

have to be pre-eminently careful about is that the situation is not changed.

It is advisable to have a superfluity of goods in order that this situation, which makes it a problem of distribution, shall be maintained. I have no doubt that behind this seeming insanity of policy there is a definite and careful aim to so cut down production, that that glut will disappear, and that situation will disappear with it, and we have to be careful to see that everything we can do to defeat that policy is done.

Now, the world at the present time, while this order of things continues, is full of things which are put forward as being axiomatic, which are not axiomatic, but at the same time you accept them until you are shocked into consciousness of the foolishness of these things, and a great many of them are connected with collectivism.

A simple instance is this:

If I take a pistol and shoot someone in this room, I am culpable, and have committed a moral crime, and one against the law. But if a war were to break out, and I were to take a machine gun and kill fifty people, it would be a very fine thing, and I perhaps would get the V.C.

There is an assumption that responsibility can be taken from a man for his own actions, and put on an organisation, and one of the features of this new civilisation is that with this individual security must come essential individual responsibility. That is, a thing which is a bad thing, when done under somebody else's orders, is not relieving one of the responsibility for that action.

This has a very practical application.

One of the things which is said, and often about this situation, and by people who criticise it at the present time is: "It is the system we are attacking, and not individuals." And there is a certain limited sense in which this is true. It is not true in the sense in which it is generally put forward; it is usually put forward from fear of really facing up to some individuals. Systems—at any rate, the system which we are dealing with—are composed of individuals, and if you absolve the individuals, then you deserve what you get. We have quite definitely got, so far as individuals are connected with this pernicious system, to make that position uncomfortable to them. I am certain that this point has got to be brought home.

I, myself, am not a serious sufferer under the present state of affairs, but I am sure we shall all be sufferers soon, and also that the amount of good which you can do by means of talking about undesirable systems is quite limited; you have got to bring this home to individuals, and I think the time has come when we shall have to placard the banks, stating what is the trouble and who is the cause of it, because the system arises out of the banks, as other speakers have told you.

Now, if you have an object on which you are all agreed, and you want to achieve that objective, you will either achieve it quite easily without any difficulty, or you will not

achieve it easily, because somebody is opposing you. It is very necessary to be quite clear, first of all, who it is opposing you; if possible, why they are opposing you, and, if possible, what methods you can bring to bear to make them cease opposing you.

I am perfectly certain that the desirable and proper thing for you to do at the present time is to concentrate on some plan of action. Now, we started by saying that we are under the delusion that we have in this country a mechanism which is waiting to be put into operation when you have got a sufficient consensus of opinion about it. As a result of that, up to the present time, most of the action which has been taken in regard to this explanation of the credit and financial situation, has been taken in regard to what you might call Propaganda.

It has, in effect, been of this nature: A man goes up to another and says, "Here's a good thing; help me to do it." And the other man runs to still another and says, "Here's a good thing; help me do it." And so the chain goes on.

Some day or other we have got to come to the point where someone comes along and says: "All right; let's do it, instead of trying to find someone else and pass the task on."

I am stressing this because the time is quite short in regard to this matter.

A good deal of time may be wasted in dealing with the so-called "Democratic machine."

In the first place, it takes a very long time to get an absolute majority for anything in this country. It takes a particularly long time, when you have a matter like this, which is not understood by more than a small proportion, and when the things you say seem unlike commonsense; and it requires a very long time to make your authority (if this interest can be sustained) understand that there are very great things in this matter that he had never thought of at all.

* * *

It is quite a serious and practical thing to ask, "Are you going to use the Democratic machine, or are you going to work by some other method?" This is a matter of great practical importance, and it has got to be faced up to, and I am putting it up to you tonight.

THIS TECHNOCRACY

(C. H. Douglas, Reprinted from the *New Age*)

IT is a dreadful thing to have a suspicious mind. During the past few weeks perhaps the main feature in the press of the United States and Great Britain has been the discovery of the findings of an American organisation operating under the name of "Technocracy." The subject has been featured in every London daily of large circulation, not excluding the *Times*, while the press of the United States has, with a rapidity of apprehension which can only be described as remarkable, announced that the problem of the depression has now been solved, and that by a curious coincidence the defeat of Mr. Hoover will be practically contemporaneous with the return of prosperity. We have not yet had a series of addresses from the B.B.C. on the subject, but they will come.

Unfortunately, I seem to remember the same unanimity when that friend of the people, Viscount Snowden, put up his marvellous fight to save this country a problematical £2,400,000, or 1/400th of the American Debt, at the expense of France, while under cover of the noise which was thereby created the Bank of International Settlements was founded and endowed with powers which might easily determine the future of civilisation. It is true that the plan seems to have miscarried a little, but you can see the idea.

Now, stripped of what is locally called in the Land of the Free "Ballyhoo," what does Technocracy amount to in regard to fact, as distinct from policy. It has put forward in a dramatic form a number of statistics tending to prove that the rate of production per man-hour is a function of the mechanical power which is employed in production, and that this factor, combined with mechanical invention, organisation and other factors, has now enabled a small and diminishing portion of the available labour to produce everything required for a high standard of living, not only for the actual workers, but for the increasingly unemployed section of the population. The data it has put forward is interesting, useful, and, I should imagine, in the main, incontrovertible; but it does not tell us anything which has not been a commonplace both to the engineer and to, in particular, the readers of this review. Over and above this, the technocrats have pointed out, also in a dramatic form, that this immensely accelerated production has not been brought by the general population, but has resulted, on the contrary, in a piling up of debt in the United States alone of approximately 218,000,000,000 dollars, representing unpaid for production. We have been saying so in this review for fourteen years, and have been endeavouring to explain exactly how this debt was piled up, and what would be the result of it.

Now, sound and incontrovertible as these facts are, they are not new, and they are by no means either novel or, in the main, attractive to those financial interests who control the press of Europe and America. How is it, then, that they have suddenly become "popular," and have obviously not only passed for publication, but have been included in the high policy which regards publicity as one of its tools.

In the first place, we have to remember that the knowledge of the increasing productivity of

industry and the recognition that the world is starving in the midst of plenty has become, in spite of efforts to conceal and distort the fact, very widely recognised. To attempt for much longer to deny the facts of the situation would be still further to discredit those in control of policy, and it is increasingly recognised that those in control of policy are, in the main, financiers. The problem, therefore, is to use these facts to obtain an organisation which will still leave the present controllers of policy in the position which they regard as being vital. It is not the money system as such which is regarded as essential; it is the power and control which have been given to these financial dictators which is regarded as essential.

Now, as distinct from the facts, it is clear enough that the policy of Technocracy is syndicalist, and in essence does not differ very widely in its ultimate meaning from the policy associated with Fascism, the centralised industry of Russia, or the rationalisation which is the Bank of England's particular brand of industrial reorganisation in Great Britain.

It is to be noted that it is more or less sponsored by Columbia University, the home of Doctor Nicholas Murray Butler, the financiers, and more particularly the Jewish financiers' University of New York. The wide publicity given to its findings coincides with the success of Colonel House in electing a democratic President, Mr. Roosevelt, who is surrounded, and whose policy is beyond question, dictated by the group which surrounded President Wilson, notably Mr. Bernard Baruch, Mr. Newton D. Baker, Colonel House himself, and Mr. Al. Smith, now editor of the *New Outlook*, in whose November issue Mr. Wayne Parrish writes on 'Technocracy, Mr. Al. Smith on "The New Outlook," and Mr. Newton Baker writes on "Human Factors in a Depression." Our own Mr. Winston Churchill a few months ago gave a dinner in Mr. Baruch's honour, at which most of our financiers and elder statesmen were present, including, if my memory serves me rightly, Mr. Montagu Norman, who is ex-officio on the board of control of the *Times*, whose finance is mainly supplied by the Astor family.

Under these conditions, while accepting gratefully the data both in regard to production and in regard to finance, which have been provided by this organisation, with whose progenitors I was already in touch in 1919 in New York, I think great caution is required in accepting the deductions which appear to be being put forward in their name as to the form of organisation which is indicated by this data. We have already had a Technocracy in this country and in the U.S.A. between the years 1916 and 1918. It is the best organisation for war. And you will remember that Mr. Bernard Baruch was the most powerful and important man in the United States during the war.

DOUGLAS DRAFT SCHEME FOR SCOTLAND

With Commentary by English Credit Study Group.

(1) Obtain from existing sources, such as company balance-sheets, land registration offices, and insurance companies, such information necessary to place a money valuation upon the whole of the capital assets of Scotland, such as land, roads, bridges, railways, canals, buildings, drainage and water schemes, minerals, semi-manufactured materials. No distinction between public and private property. Replacement values to be used where the property is in use.

Add to this the sum representing the present commercial capitalised value of the population. Such a figure exists and varies with the actuarial expectation of life and the plant capacity of the country, and is something like £10,000 for a citizen of the United States at the age of 25. From the grand total thus obtained a figure representing the price value of the Scottish capital account could be obtained. Financial credit to any equivalent can be created by any agency such as a Scottish Treasury empowered by the Scottish people.

COMMENTARY BY ENGLISH CREDIT STUDY GROUP—Clause I:

(a) The word “buildings” is intended to include every kind of structure recognised as a building for rateable purposes; *e.g.*, shipyards.

(b) Replacement value is taken to avoid reference to purely financial valuations, which are written down to represent the use value of premises under existing conditions of financial restraint of trade.

(c) The estimate of the commercialised value of an individual aged 25 years is given in the actuarial report of the Metropolitan Life Assurance Company of New York. Many factors are taken into account in ascertaining the commercialised value of a population, *e.g.*, earning capacity, value of production, value as consumers. Broadly the value can be termed “Replacement value.”

(d) A part of the financial credit referred to in the last sentence has already been issued by the existing Banking System. An ample balance is available for any creation of credit proposed under the Scheme.

(2) As from the initiation of this scheme, the holding of any stock, share, or bond by a holding company or trustee will not be recognised. It is the intention that no shareholding in any industrial undertaking shall be other than in the form of equity shares of no par value, *i.e.*, Preference or Common shares or stock. Bonded indebtedness will be recognised for purposes of compensation where held by individuals, upon a proper investigation, but where held by corporations will be subject to such terms of redemption as may seem desirable.

COMMENTARY BY CREDIT STUDY GROUP.—Clause II., Par. I:

(a) The phrase “will not be recognized” means that legal protection could not be obtained for such transactions; but they would not be directly prevented. Their position would be somewhat the same as that of bets.

(b) “Trustee” includes Investment Trusts.

(c) This recalls the Mediaeval distinction between usury and investment. Since shares would have no par value, all investment would participate in the risk of the enterprise, and the tendency would be for industry to be conducted in smaller units, in which the advantages of direct contact between all those engaged would progressively be enjoyed. Quality and variety of product would tend to be reinstated in Industry. The anticipation is that the national dividend would provide the chief source of the investment, and this being new money created by the Treasury would carry no indebtedness to the Banks, whose creation of repayable credit for production would be gradually superseded.

(d) The intention would normally be to compensate by buying out rather than by guaranteeing income.

(e) The intention with regard to corporate bodies is to discriminate against purely financial holdings and all investment implemented by means of private creation of financial credit, *e.g.*, War Loan and Debentures purchased by direct creation of money by the Banks.

(f) As a transitional measure redemptions could take the form of a long-dated Government Compensation Loan to individuals.

No transfer of real estate directly between either persons or business undertaking will be recognised. Persons or business undertakings desiring to relinquish the control of real immovable estate will do so to the Government, which will take any necessary steps to re-allot it to suitable applicants. No Government Department shall administer either directly or indirectly, any business, whether agricultural, productive, or distributive, other than the administration of the financial and credit schemes, or receive payment for any services rendered to the public, other than in bulk.

COMMENTARY BY CREDIT STUDY GROUP.—Par. II:

(a) No legal title to real estate could be obtained unless the transfer was effected through the State (there is no more administrative difficulty in this than in the present requirements of Inland Revenue Stamps on documents).

(b) The reason that no restriction upon enhancement of rent is proposed, is that reliance is put upon genuine competition and the fact that without the existing restrictions

plenty of alternative sites and properties will be available. Moreover, the passing of estates through the State Department at death of owner, or upon any transfer, will keep use value of all real property on an even and reasonable basis. The enhanced values of factory sites, residential sites, houses and agricultural land, will tend to become communal assets, not private assets.

(c) Non-residents in the country would be subject to the same regulations for transfer of real estate as residents.

(d) The principle to be applied to essential services—Water, Heat, Light, Post Office, Transport—would be generally that of utility corporations under charter, but in an economic system (see restrictions upon legal status of purely financial holdings in Par. II.) in which “watering” of capital, and rigging of shares would be impossible.

(e) Payment for Government services being made only in bulk, no charge to the individual consumer would be made for, *e.g.*, postal or transport services if these were nationalised.

THE INITIAL NATIONAL DIVIDEND

(3) For the purpose of the initial stages an arbitrary figure, such as 1 per cent. of the capital sum ascertained by the methods outlined in clause (1) shall be taken, and a notice published that every man, woman, and child of Scottish birth and approved length of residence, with the exception mentioned in the paragraph that follows, is to be entitled to share equally in the dividend thus obtained, which might be expected to exceed £300 per annum per family. It will be clearly understood that no interference with existing ownership, so-called is involved in such a proceeding. The dividend to be paid monthly by a draft on the Scottish Government credit, through the post office and not through the banks.

COMMENTARY BY CREDIT STUDY GROUP.—Clause III:

(a) The distribution of the National Dividend would return to the Exchequer in the specific form of increased capital value of land; property and population would not only be maintained but increased. Under the accounting system laid down in Note 2 at foot of the Scheme, the maintenance and increase of capital value would be entered up against the cash distributed.

(b) The Dividend would only be distributed to residents in the country.

(c) Arrangements for parents and guardians to collect for juniors and incapables would be devised.

(d) The number of persons per family has been assumed to be four.

(e) It should be understood that although the family of four is the unit which has been

taken for the purpose of estimating this figure, the dividend will credit to any equivalent can be created by any agency expected to exceed £75 per annum to each person.

(f) The provision of payment of the Dividend through the Post Office and not through the Banks is to ensure that the individual has the handling of it, and to preclude the possibility of its automatic application by financial houses in cancellation of indebtedness to them.

Any administrative change in the organisation of the post office should specifically exclude transfer of the money and postal order department and the savings bank. No payments of the National Dividend will be made except to individuals, and such payments will not be made where the net income of the individual for personal use, from other sources is more than four times that receivable in respect of the National Dividend. The National Dividend will be tax-free in perpetuity, and will not be taken into consideration in making any returns for taxation purposes, should such be required. Except as herein specified, this dividend will be inalienable.

COMMENTARY BY CREDIT STUDY GROUP.—Par. II:

(a) The limitation to those whose income does not exceed four times the amount of the Dividend is a temporary and preliminary proposal. Ultimately the participation would extend to all citizens.

(b) Income Tax figures could be taken for purposes of calculation.

(c) The proposal is flat and not graduated because a line must be drawn, and the public is familiar with the method. The small amount of juggling possible to bring individuals within the Scheme would be unimportant.

“ASSISTED PRICE” FOR REGISTERED BUSINESSES

(4) Simultaneously with the publication of the foregoing notice a figure to be published known as the discount rate, to replace the existing bank discount rate, a suitable value of this for initial purposes being 25 per cent. It is important that the figure should not be less than 25 per cent., and it might reasonably be higher.

COMMENTARY BY CREDIT STUDY GROUP.—Clause IV:

(a) The price discount would replace bank discount by securing either the sale of the products or the crediting of the surplus to the community. This would obviate the necessity which obtains at present of discounting bills with the banks at heavy cost, to make payments (and repayments of financial advances) when uncertainty exists as to the disposal of the goods at remunerative prices, or at all. Bank discount is price discount upside down—a charge upon the public credit for private advantage instead of an advance of financial credit to the public for general advantage.

(5) Simultaneously, an announcement to be published that any or all business

undertakings will be accepted for registration under an assisted price scheme. The conditions of such registration will be that their accounts, as at present required under the Companies Acts, should contain an additional item showing the average profit on turnover, and that their prices shall, as far as practicable, be maintained at a figure to include such average profit, where this is agreed as equitable for the type of business concerned (the suitable profit being, of course, largely dependent on the velocity of turnover). Undertakings unable to show a profit after five years' operation to be struck off the register.

COMMENTARY BY CREDIT STUDY GROUP.—Clause V:

(a) All businesses are available for registration. The price-assistance to businesses dealing with ultimate consumable goods is twofold—the authority thereby obtained to sell their products under the system of discount vouchers to consumers—thereby increasing sales (see Clause VI); and the authority to reduce wages paid to organised workers by 25 per cent. (See Clause IX). The price-assistance to all other businesses consists directly only of the Wage reduction arrangement, but, of course, all will participate indirectly in the larger consumption, and in the much reduced prices (even apart from the price-discount to every individual as consumer) which will result.

(b) No direct restraint upon Trusts and Combines is imposed, but if undertakings of this kind stand outside the scheme they would be subject to prospective competition by smaller units enjoying this advantage, and they would be obliged to meet this competition from their own resources. The proposed percentage of discount must be sufficiently high to afford the maximum inducement to accept the Scheme. Moreover, the power they exercise at present would be largely diluted by the provisions of Clause II.

HOW FREE CREDITS WOULD BE ISSUED

(6) In consideration of the foregoing, all registered businesses will be authorised to issue with sales to ultimate consumers an account on suitable paper for use as explained in the following clause.

COMMENTARY BY CREDIT STUDY GROUP.—Clause VI: This refers only to sales to ultimate consumers.

(7) Payment for goods will be made in the ordinary way, either by cheque or currency. The purchaser will lodge his receipted account for goods bought with his bank in the same way that he now pays in cheques, and the discount percentage of the amount of such account will be re-credited to the consumer's banking account. Unregistered firms will not be supplied with the necessary bill forms for treatment in this manner, with the result that their prices will be 25 per cent., at least, higher than those of registered firms. (It is obvious that the larger the discount rate can be made the greater will be the handicap of the non-registered firms).

The total of the sums credited by the banks to private depositors in respect of these

discounts will be reimbursed to them by a Scottish Treasury credit. The capital account will be “depreciated” by such sums, and “appreciated” by all capital development. The existing banks will be empowered to charge an equitable sum for the services thus rendered.

COMMENTARY BY CREDIT STUDY GROUP.—Clause VII:

(a) There would undoubtedly be a number of very small purchases which would be made without taking advantage of the price discount.

(b) The distribution of the National Dividend (see Clause III) would ensure that the population in general would very quickly have banking accounts, and numerous methods of procedure are possible for assisting persons to take advantage of the Scheme.

(c) The Scottish Treasury Credit would, by the continuous process here indicated, keep the necessary record of appreciation (of real assets) and depreciation (of cash credit) upon which periodical calculations of the appropriate price-discount would be based. The continuous Treasury record would secure that no serious margin of error could occur, but any small error would be exposed by a shortage of goods against demand, and could then be corrected.

HOURS AND WAGES

(8) The hours of Government offices will be reduced to four hours per day. To meet the temporary congestion of work, additional staff will be employed, such staff, however, doing identical work with the existing staff in the form of a second shift, and sharing with the existing staff the chances of promotion irrespective of seniority. (The object of this is to discourage the well-known bureaucratic tendency to enhance the importance of existing staffs by employing additional numbers of persons ranking by virtue of seniority below the original officials, and, at the same time, to afford an opportunity of appointing a duplicate set of officials to check reaction without dislocation of existing routine).

COMMENTARY BY CREDIT STUDY GROUP.—Clause VIII:

This proposal is ad hoc, and a matter of policy. Government should be the model employer in the matter of conditions and hours, and should inaugurate, as a general practice, the principle of work by shifts. It is to be noted that Government is to be precluded from engaging directly in any business. (See Clause II.)

(9) Wage rates in all organised industries will be reduced by 25 per cent. where such a reduction does not involve a loss to the wage-earner exceeding 20 per cent. of the sums received in the form of National Dividend. The wage rates ruling in 1928 to be taken as the basis against which the reduction would be made.

Any trade union violating a wage agreement to render its membership liable to

suspension of National Dividend, and any employers' organisation committing a similar offence, to be liable to suspension of price assistance or wage reduction.

COMMENTARY BY ENGLISH STUDY GROUP—Clause IX:

(a) The meaning of this Clause is that the wage rates in all organised industries will be reduced by 25 per cent. or by a figure representing 20 per cent. of the National Dividend to the individual, whichever is the smaller.

Examples:

- (1) Wages £100
Dividend £75
25 per cent. on £100 = £25
20 per cent. on £75 = £15

Therefore, the reduction of Wages will be £15, leaving a total of £85, to which is added the Dividend of £75, making a total income of £160 compared with the original £100.

- (2) When the Dividend is increased to a higher figure, say, £150.
Then, Wages £100
Dividend £150
25 per cent. on £100 = £25
20 per cent. on £150 = £30

In this case the reduction of Wages will be £25, leaving a total of £75, to which is added the Dividend of £150, making a total income of £225, compared with the original £100.

(b) Amongst the consequences of this provision are:—

- (1) Assistance of Export Trade and thereby promotion of advantageous terms for imports of all kinds, notably raw materials.
- (2) Protection of employees from much larger cuts in wages which might be attempted.

(c) Wage rates were higher in 1928 than at any other period during the last decade.

(d) The penalising clause relates only to violating an agreement and does not prevent any agitation for improved conditions, or denunciation of existing terms upon conclusion of an Agreement. Any dissentient member could resign and so protect himself from loss of his Dividend if the Union violated an Agreement.

MUST ACCEPT EMPLOYMENT, OR—

For a period of five years after the initiation of this scheme, failure on the part of any individual to accept employment in whatever trade, business, or vocation he was classified in the last census, under conditions recognised as suitable to that employment

(unless exempted on a medical certificate) will render such individual liable to suspension of benefit in respect of the National Dividend.

COMMENTARY BY CREDIT STUDY GROUP:

(e) Compulsory acceptance of work if offered at Union rates of wages is designed to prevent the possibility of serious abandonment of necessary productive effort during the initial stages of the Scheme. It would also tend to secure to registered workers in any trade the first opportunity of resuming the craft in which they were trained. Revival of genuine competition and qualitative production would render unnecessary a corresponding restriction upon employers.

(10) Taxation of specific articles, or specific forms of property to be abolished. Any taxation found to be necessary to take the form either of a flat non-graduated taxation of net income or a percentage ad valorem tax upon sales, or both forms of taxation together.

COMMENTARY BY CREDIT STUDY GROUP.—Clause X:

An ad valorem tax upon sales to consumers would represent a slight abatement of the price discount.

ADDENDUM (C. H. Douglas)

The price level of 1928 has been taken for the rough estimate of the items which, when added together, make up the Real Assets or Real Capital account of Scotland

The Financial Credit, which is equivalent to this, appears in a National Account as a contra-item. Money and Real assets are on opposite sides of the account (and should balance) not, as in a commercial account, on the same side of the account.

WHAT TO READ

DOUGLAS LITERATURE

The following books on the New Economics may be obtained from the Douglas Social Credit Association, Suite 205, 29 Bligh Street, Sydney:—

By MAJOR C. H. DOUGLAS

Economic Democracy	5-6
Credit-Power and Democracy	6-6
Social Credit	6-0
The Control and Distribution of Production	11-3
The Monopoly of Credit	5-6
Warning Democracy	10-6
Canada's Bankers and Canada's Credit	-9
These Present Discontents and the Labour Party	1-6
The Douglas Theory	-9
The New and the Old Economics	1-0
Breakdown of Employment System	-4
McMillan Evidence	-6

OTHER AUTHORS

Men, Machines and Money. C. M. Hattersley	1-0
Deadlock in Finance. A. E. Powell	1-0
Real Wealth and Financial Poverty. W. H. Rhys ...	1-0
Outline of Social Credit. H.M.M.	1-0
Veil of Finance. A. E. Brenton	1-0
Social Credit Lectures. C. F. Galloway	3-0
Poverty Amidst Plenty. C. F. Galloway.....	1-0
Need We Repudiate? C. B. Da Costa	1-0
Story of Comm. Bank. D. J. Amos	-6