

the Council will adopt this recommendation, in which event the bridge will disappear towards the end of this year and the new one, designed by Sir Giles Gilbert Scott erected "in harmony with notable new buildings on the Embankment." The architect's work is bound to be interesting when once it has been translated into concrete form. But we wish it were possible to feel that a beautiful structure, now damaged, were to be succeeded by one not merely more efficient, but one more completely satisfying as a bridge. Rennie planned a means of movement from one side of the Thames to the other. He planned also an exercise in bridge-building which would take into account its own problems and its own environment. He considered the sweep of the river, the currents, the banks, the immediate and the distant prospects. He thought as much of the dome of St. Paul's as part of the background as of the buildings on either side. We hope that Sir Giles Gilbert Scott has done as much and that he will be equally successful. At the same time we wonder how many of the London County Councillors have given a thought to the real reasons why Rennie's bridge is regarded as a masterpiece.

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An extraordinary editorial note appeared in the *Daily Express* this morning. It cited riots in Spain and Austria as examples of unsettled conditions abroad and offered in contrast a description of roads crowded in England during the week-end with people walking, riding, cycling—"a nation on holiday." On Monday morning, it told us, the nation returned cheerfully to work. We can imagine the grim smiles with which it was read in public libraries by some of the two million people for whom there is no work to which they can return.

The Douglas Scheme of Credit

By Hilaire Belloc

THE Douglas Scheme of Credit which is deservedly occupying an increasing place in contemporary discussion, is a suggestion to do quickly and completely what would be done more slowly and less completely by a good distribution of property.

It is based upon two modern economic phenomena: the advance of mechanical efficiency in production, and bank credit.

As to the first of these: The increase of our knowledge in physical science, the application of it to every form of production and the invention of machines whereby it can be so applied, have had the effect of making a vast increase of production possible. We have come to an era of potential abundance. Where, for instance, one man could make one pair of boots in a given unit of time, one man can now make twenty pairs of boots in the same unit of time by the use of new machinery. Where one man could lift or lay the bricks for such and such a unit of building in such and such a unit

of time, the same man can now produce x numbers of units in ferro-concrete—and so on throughout the whole of modern production.

This is even true, in a large measure, of organic raw materials. Animals are not produced by machinery, but fertilisers are now produced on an indefinitely increasing scale by synthetic methods applied to almost inexhaustible resources and tillage and drainage are mechanisable. The transport of primary goods is in the same case; where one man could provide the unit of transport for a ton of goods over so many land or sea miles, the same man can now provide the transport of twenty tons for the same distance, or of one ton over twenty times the distance. So with clothing, with housing, with food, and in general with all that human needs demand, save in one point—that mechanical production not being individual and diverse will not satisfy man's need for beauty nor his need for intimate and varied satisfaction. These spiritual drawbacks may rapidly destroy a civilisation built upon the new efficiency.

But that does not concern the immediate economic problem, which is, that we find ourselves at the moment with potential resources of production for which there is not, under capitalist conditions, anything like a corresponding power of effective demand. We could produce a dozen units of everything—clothes, warmth, lodging and food where our fathers produced one; we could produce without difficulty far more than enough to keep every man, woman and child properly clothed, warmed, lodged and fed. But on account of the action of industrial capitalism masses of the proletariat are insufficiently clothed, warmed, lodged and fed.

The reason of this is that industrial capitalism is based upon the exploitation of the proletariat by a few controllers of the means of production. The means of production are set to work to produce goods and services at a profit—which profit depends upon giving those who produce the goods and services less than the goods and services they produce. So that they have not the purchasing power to acquire and consume the wealth they have brought into being.

The obvious remedy for this is to distribute ownership in the means of production. The mass of the population will then be in receipt not only of wage-income but of rent-income and of profits-income as well, and will presumably spend its combined income upon satisfying its needs.

The millionaire controller of a boot trust cannot wear all his surplus boots; he must export them or let them rot. But a million share-holders in a boot trust would have an income sufficient to purchase all the boots produced.

As to the other factor, that of bank credit, it enters into the problem thus:—

Before the banking system arose, if Mr. Jones had a field which he wanted to sell for 1,000 golden sovereigns, and Mr. Smith had a herd which he wanted to sell for 1,000 golden sovereigns, unless Smith knew Jones and Jones knew Smith intimately enough, unless the proximity of the two was such that the mutual exchange could take the form of barter, Jones could not get his herd nor Smith his field save by Smith's producing a thousand golden sovereigns, and Jones also producing a thousand golden sovereigns,

Suppose Jones and Smith each have no more than a hundred golden sovereigns; they could work the exchange by trusting each other—that is by credit. But in a complicated community and in dealing with numerous units incapable of common contact, the exchange could not take place.

When the banking system had arisen Jones would put his hundred golden sovereigns into the bank, and so would Smith. Each can draw cheques up to that amount—to the amount of a hundred sovereigns but no more. But Jones goes to the bank and says, "Will you honour my cheque for £900 more than my balance? I will leave certain assets in your hands if you will, which assets I cannot, or do not want to, sell. But I want your ready-money with which to buy a herd." Smith goes to the bank and says the same thing, only he wants the ready-money in order to buy a field. The bank says to Smith, having examined his credentials, "By all means. I will extend credit to you at 6 per cent. to the extent of another £900; you can sign cheques up to that amount." It says the same thing to Jones. Smith then signs a cheque made out to Jones for £1,000. the bank honours it; meanwhile Jones has made out a cheque to Smith for £1,000. The bank gets that too. The two cheques cancel out one against the other, and the bank will levy tribute upon both these gentlemen at the rate of 6 per cent. on £900—that is 108 golden sovereigns a year from the two of them. That expectation of tribute is the bank's motive for having financed the deal, which, if bank credit had not been present, would not have taken place at all.

But bank credit can be used not only for financing exchanges, it can be used for financing production.

I am a hat manufacturer. I have £10,000 balance. I get an order for a number of hats which it will cost me in wages and new plant and perhaps new building £20,000 to produce. The man who is ordering the hats has not got the £20,000 to pay for them, he only has £10,000 balance; but he has orders for selling £20,000 worth retail when he has obtained them wholesale. He goes to the bank and says, "Will you let me have £10,000 extra credit over and above my £10,000 balance with you in order to buy these hats?" Meanwhile I, the hat maker, say to the bank, "Will you advance me an extra £10,000 so that I may produce these hats?" The bank says to each of us, "Yes, at six per cent." Thus the wheels of industry are set going, and this great mass of hats is produced which otherwise would not have been produced. The cheques of the purchaser and the maker cancel out in the bank ledgers, no real money has been lent, but the bank will obtain as tribute from us £1,200 a year until we have both repaid the "loans."

These over-simple examples of bank credit do not, of course, approach to even a general view of its activities, but they suffice to explain its nature and action.

Now with banks extending credit in order to foster production you will get production on an indefinitely large scale. But you will not get consumption on the same scale, save to the amount of the purchasing power distributed in wages and dividends by the hat maker and the hat purchaser. There will not be enough purchasing power to go round and to get all those hats on to a corresponding number of human

heads. There will be a surplus to which no purchasing power corresponds. It will either have to remain unconsumed or it will have to be consumed outside the community in question. At any rate, the men who made the hats for the manufacturer and the men who fetched them for the wholesale purchaser will not get enough to buy up all these hats.

The Douglas Scheme of Credit is essentially a proposal to extend credit for consumption as well as production. You first estimate what the community can produce with its existing plant and natural resources. You then divide that by the number of potential consumers. You give each consumer—i.e., each citizen—a credit instrument equivalent to that dividend, and the whole machinery begins to work. All the hats are produced that the nation wants, so are all the boots, all the houses, and everything else. And being produced they are also all consumed. Everyone can satisfy his needs.

So also can they be satisfied if the means of production, the plant and natural resources, are put at the disposal of everybody not as a dividend but as property.

Suppose one machine to be able to produce all that a community needs, and yet to need only one man to look after it—then if that machine is under the control and the property of that one man, everybody else is unemployed. And they will starve to death in the midst of potential plenty unless the state compels the owner to distribute at least enough of the produce of his machine to keep the unemployed mass alive—a "dole." That is Capitalism.

But if the officers of the community own and control the machine and distribute its production among the members of the community, all will receive their share. That is Communism.

If the machine is owned in shares by the members of the community, each will have his share by right of property in the result. That is Distributism.

If you work the thing through consumption credit tickets you get the same result as under Communism or under Distributism, and that is a scheme of consumption credit.

But there is a difference between the three systems—a vast difference in the case of the two extremes of Communism and Distributism, the difference between Heaven and Hell. This difference is the presence in one case, the absence in the other, of human dignity through human freedom.

Communism, supposing the state officials to be always honest, solves the problem of consumption perfectly, but by destroying human dignity and human freedom—all men are fed but fed as slaves.

Distributism solves the problem imperfectly and with considerable friction: all men are fed though not all equally, and all at the expense of some anxiety and travail. But all men are free.

Schemes of consumption-credit solve the problem much more nearly in the fashion of Distributism than in the fashion of Communism: but these also demand a large degree of control in the distribution of credit and some degree of control even in the manufacture of produce.

By the degree of control required we may measure how far such schemes fall short of Distributism in satisfying the spiritual needs of man.

Hilaire Belloc on Social Credit.

The favourable article on Social Credit by Mr. Hilaire Belloc in the current issue of *G.K.'s Weekly* is evidence that intellectual honesty—hall-mark of a great mind—is still to be found. *G.K.'s Weekly* has been the ground of some lively controversy on Social Credit, and Mr. Belloc's authoritative pronouncement is therefore all the more welcome. He says, "The Douglas Scheme of Credit, which is deservedly occupying an increasing place in contemporary discussion, is a suggestion to do quickly and completely what would be done more slowly and less completely by a good distribution of property." Mr. Belloc's influence in Roman Catholic and other circles is considerable; his pen is formidable, his courage undeniable. We welcome him as an ally in the more intense phase of the struggle now opening.

LETTERS TO THE EDITOR.

DISTRIBUTION AND CREDIT POLICY.

Sir,—In *G.K.'s Weekly*, on June 14, Mr. Hilaire Belloc contributes a long article entitled "The Douglas Scheme of Credit," at the end of which he expresses the opinion that the method of issuing credits to consumers may be a less cumbersome way in which to reach, or approximate to, the objective advocated by the Distributists than any other. This opinion is foreshadowed and fortified earlier in the article where he gives two hypothetical examples graphically illustrating the function of the banker (a) as the intermediary in the exchange of products and (b) as the provider of credit for the process of production—both examples being excellently chosen and described. The central theme of the article, however, is not concerned with technical exposition, but, as its conclusion indicates, rather with the practical problem of looking round to see what weapons are lying about which upholders of personal liberty can snatch up against the Red and Black forces of despotic collectivism now besieging and bombarding the shrine of their ideal.

In such an emergency there is no time to test the temper of this or that steel: anything within reach which looks like a sword and will cut like a sword has to do. Mr. Belloc has the perspicacity to see this; and his article may be reasonably interpreted as an authoritative direction to Distributist Crusaders to equip themselves at the Douglas Armoury. That, at any rate, is how I interpret it; and I think that many other readers of *THE NEW AGE* who see the article will concur in my view, and will applaud Mr. Belloc's sagacity and courage accordingly.

J. G.

NOVEMBER 1, 1934

Mr. Belloc Explains

To the Editor, the "*New English Weekly*"

Sir,—I hope you will allow me to make clear my position, which I think your comment on a recent piece of work of mine somewhat obscures.

The partial objection which I and some who think like me offer to the full policy of socialising credit for consumption is not an economic attitude, but a moral and political one.

Of the feasibility of such a scheme, and its power to increase enormously the average consumption no doubts are possible—at least I certainly have none. My question was whether such an increase would be obtained in the right way—I mean in the way best suited to the nature of man and to his happiness. As between the present grossly restricted purchasing power of the wage-slave and the sufficiency of material goods which a socialised scheme of credit should produce I certainly have no hesitation. Men ought to be fully fed, well housed, well clothed and given manifold opportunity for the enjoyment of life; and any policy which will procure sufficiency for those who now lack it is preferable to a social system under which men go hungry and anxious, ill housed, ill clothed and the rest of it.

The nationalisation of credit must manifestly render actual what is under the present financial system only potential wealth. Credit socialised for the advantage of consumption as well as of production and put at the service of those who are now highly restricted in their power of demand through wage-slavery would

increase the consuming power of the mass of men now disinherited; it would in theory even increase that power to the limit of the productive power of the community. This I say is mere arithmetic; and anyone who thinks clearly on the matter must see that it is so. But the hesitation which people of my sort feel in accepting to the full any scheme for thus socialising credit is that, being easier and more immediate of practice than the better distribution of property, it is an alternative to that better distribution, and may supplant it.

In mere arithmetic it is exactly the same thing whether the means of production are owned by the citizens severally or jointly, or whether they are set to work by a system halfway between public ownership and private ownership, such as a system of socialised credit would be. The socialisation of credit, if it were properly handled, would produce material prosperity as would a wide distribution of ownership in land, machinery and stocks of material. I rather fancy that socialised credit would even give a greater power of consumption, properly handled, than would well distributed property. But my point is that the latter is consistent to the nature of man and satisfies his spiritual nature after a fashion which no socially controlled scheme can do. In other words my hesitation—for it is rather hesitation than objection—has the same root as that hostility to Socialism to which, when Socialism was a living issue, I devoted no small amount of my time during my best years. Socialised credit is not inhuman and repulsive as the old-fashioned and now dead stuff Socialism was. But still, the working of Socialised Credit depends upon public powers which would control the individual (or rather the family), in my judgment, unduly.

A society in which men think in terms of income is radically different from one in which men think in terms of ownership. The latter seems to me the necessary condition of human dignity, which is incompatible with less than a certain very large amount of freedom. Credit tickets leave the recipients free to exercise individual choice, but their limits have to be estimated by the machinery of the State; they have to be issued by the machinery of the State. "So," it may be replied, "was metallic money before the State abandoned its rights therein." This is true; but the parallel does not hold, for though the King only could coin the precious metals he did not proceed to distribute the coins as largesse. The system under which a currency expanded through credit is distributed as largesse is a system which puts the individual family at the mercy of the King. He can give or refuse at will.

As for the subsidiary point of what such currency should consist of, and my preference for its consisting in the precious metals held (as the phrase goes) "in the pockets of the people," it flows from the same principle as my preference for widely distributed property. Men cannot make the gold or the silver; and everyone can test the honesty of the currency he is using if that currency consist in real things. Give special men the power to create an artificial currency, and it is the same thing as leaving the control of our lives in the hands of others. Nor is it of any great moment whether those others are the officials of the community or private men—whoever has this undue power of control over others, being men, may and in time probably will abuse it. We already know what the Bankers have done with such power half possessed.

I am, Sir, yours, etc.,

H. BELLOC