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FOR POLITICAL AND ECONOMIC REALISM

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The Social Crediter and the Social Credit Movement in England During the War Years

A Brief History for the Use of Continental Social Crediters.

During the past fortnight, a small but steady trickle of letters has reached the publishers of *The Social Crediter* from the countries bordering the North Sea. The writers ask for facilities for resuming their study of the paper. These, following an initial *official* 'misunderstanding' of the regulations actually in force, seem easy enough to provide, subject though they may prove to be to the great increase in bureaucratic 'efficiency' (from the official point of view), an efficiency which, from the public point of view seems to consist in the maximum of delay, the maximum of theft, damage and loss in transit, higher costs, less knowledge of what facilities there are and of how they may be construed. At the present moment, Germany, France, Belgium, Denmark, the United States of America and Uruguay seem much more accessible from Liverpool, by all routes, than Canada, Australia, Northumberland and Hampshire. This peculiarity has been remarked upon by others, and a scene in a recent stage play arranged by amateurs for the entertainment of some naval ratings depicted a distracted private citizen in process of learning, from the behaviour of an American soldier, that the quickest way to establish communication by telephone with a subscriber on the home exchange was to call the Queen Mary in mid Atlantic (*via* New York) and ask for a message to be communicated to 'Garston 0000.' (Garston is in Liverpool.) Humour of this kind is balm for the injuries sustained by the natives, and the only treatment they receive. We do not forget the so-called 'paper' question, which may be raised in an acute form if our French, Dutch and Danish readers increase in numbers very rapidly. In the meantime, some of them ask for information concerning what has been happening during the 'black-out' of communications due to the war.

We respond instantly to this appeal, and in this public form, so that the information we are able to give may be as evenly and as generally distributed as possible.

It will be remembered that an attack on the Secretariat, which threatened to isolate Major Douglas by depriving him of control of the instruments of Social Credit publicity recognised throughout the world as 'official,' coincided with the date which we have every reason to believe was the pre-arranged date for the outbreak of the military war itself. September, 1938. Volume I. No. 1. of *The Social Crediter* appeared on September 17, 1938. At first not

noticeably different in style from *Social Credit* (now defunct), the fourth number intimated, under the heading of *World Crisis*, the intention to publish, unannounced otherwise, a succession of statements by Major Douglas, bearing upon the world situation. What there was of an active movement approximating to the standards of Major Douglas and the Secretariat, in regard to policy and strategy, at that time, was wholly absorbed in the United Ratepayers' Advisory Association, which instantly adjusted its campaign for lower rates to the prevailing psychology. The way to avert war was to lower the rates without reduction of services, thus effecting a breach in the citadel of the war-makers. At the same time a powerful motive already operative was that of carrying over into times which might be more favourable to the reception of Social Credit ideas vital knowledge concerning both economics and politics. Mr. Ronald Cartland, one of the Members of Parliament to fall in the war, was one of those obviously influenced by our discussion of representation. In August he had addressed his constituents defining his conception of the relationship between himself and his constituents and linking it with the urgency of the situation. We should dissent from some of the views expressed. The expression was symptomatic. Parliament has degenerated since then.

Before that winter came *The Social Crediter* was already unmasking the Plan for world domination by a hidden oligarchy: Billeting, Air-raid precautions. Major Douglas addressed the Marshall Society of Cambridge. The Nature of Democracy, the Nature of the Plot against humanity, pressure to secure a rational financing of the war were the constantly recurring themes of the paper; but there was beginning a radical analysis of the roots of western culture. Not only Nationalism but Christian Nationalism were exposed in contrast to Internationalism; and, in ten weeks from the start, the outlines of the strategy persistently pursued by the Secretariat to the outbreak of war and afterwards down to the present time were visible. On November 19, 1938, Major Douglas wrote:— "... internationalism, with its corollary a World State (of which the happily defunct League of Nations was one attempt and the Bank of International Settlement another) is one end of the scale and self determination of the individual is the other. It clearly cannot tolerate autarchy. The smaller the genuine political unit, the nearer you are getting to self determination of the individual. The horizontal trust, whether commercial or political, but especially the latter, is an abomination just as internationalism is an abomination. The ultimate ideal of such a policy is a world full of standardised robots, each with a numbered time check, all subject to the same 'Laws.' It is materialism rampant, a denial of individuality and spiritual values and is the outcome of a cultural hatred which is, in essence, purely destructive. It is a matter of less

than no consequence under what national or racial label it is found—it is of the Devil.

“The best and only way by which any *race* can escape the certain consequences of association with it is for its representatives publicly to denounce it and for its members to cease to support it.”

The paragraph which follows these words raises the question of Mr. Chamberlain's objective, and urges close attention to the skilful propaganda against him.

“A-R-P—(American-Russian-Programme)” by Major Douglas appeared in February, 1939. *Whose Service is Perfect Freedom* began to appear in the issue of June 3, 1939, the first of the great commentaries on the life and policies of our times, and the one which Major Douglas is stated to prefer as a work. The last chapter still remains to be written. Chapter XXI appeared on April 20, 1940. Not only for their political and historical value—in the writer's opinion, and doubtless in the opinion of very many others, there is nothing comparable with the published commentaries by Major Douglas on the development of the war), but for the key they provide to the development of Social Credit strategy, these works should be studied by Social Crediters abroad; and, since their relationship to the day-to-day events of the war is important, the dates of their first appearance are given here:—*This 'American' Business*, August 17, 1940. *The Big Idea*, January 17-May 23, 1942. *The 'Land for the (Chosen) People' Racket*, December 5, 1942-March 20, 1943. *Programme for the Third World War*, April 17-August 14, 1943.

By the Spring of the following year it was possible to condense the statement of the position in a single comprehensive page which forecast the preparation of Major Douglas's *Brief for the Prosecution* which began to appear immediately afterwards (May-September, 1944):—

THE ISSUE

“We have to make it clear that we will not tolerate the use of special (and, we are determined, temporary) war conditions, for the purpose of making changes in peace conditions.

“The Government’ (?) should not be allowed to ride off on a passive mount.

“The Administration should be forced to prove, in one department of life after another, as fast as it raises each issue of this kind, that the country WANTS a vast bureaucratic middleman, costly and controlling the freedom of suppliers and consumers alike, between those who furnish goods and services and individuals: that it would *not* prefer to handle its own money, strike its own bargains, and exercise its own choice in freedom and security.

“In this issue, the individuals who compose the community both as effectives and as consumers, have ranged against them

The Ministries and all bureaucratic interests.
International “interests,” cartels, and big business organisations, chemical, electrical, publicity, *etc.*, *etc.*
The Trades Unions, (or labour cartel).

‘Representative’ associations, business, professional and political, over whose executives those ‘represented’ have ceased to exercise effective control.

P.E.P. (Political and Economic Planning: the powerful

and, at first, secret organisation which announced that only in war or under threat of war would a British Government embark on large scale planning.)

The Press, lay and professional.

The B.B.C.

The Fabian Society.

The Labour Party.

The Party Machines competing with the Labour Party for place.

The “Progressive” Conservative group. (Infiltration.)

The vast network of organisations which has come to full growth during the war, centralising and canalising all ‘movements,’ *e.g.*, the Youth Groups, Army Bureau of Current Affairs, ‘Welfare’ organisations, *etc.*, *etc.*

“Only individual action along right lines can overcome this vast, evil combination, the immediate objective of which is the transference of *plant* of every description from personal hands (your hands) to impersonal, institutional hands, so to reduce the status of all producers to that of factory-hands, and the condition of all consumers to that of forced buyers of factory-made goods and services.

“We are satisfied that we know the genealogy of this trend, which is traceable, amongst other things, to the conception of the great German General Staff, as organised from the days of Frederick the Great of Prussia.

“We propose in the near future to explain the connection of all the movements towards monopoly to a source operating through Germany, if not original to Germany.”

It is quite in line with the deeper implications of this general indictment that indescribable difficulty and obstruction has hindered the public presentation of the important work indicated in book form. The dates of its serial publication are given. It is virtually true that a complete censorship of truly independent opinion is fastened on Great Britain at the present time, and there seems to be every indication of maintaining and even refining and perfecting the stranglehold if that is humanly (or inhumanly) possible. It is evident that those who are trying to wrest the sovereignty of the peoples of Europe and of the world from ‘national’ hands to invest it in the hands of a small, immensely powerful, hidden minority long ago discerned in the peculiarities of the British Empire—its earlier secure possession of a viridical culture, and its power to develop the resources necessary for its preservation and possibly other factors—a specially dangerous threat to the success of their aspirations. And certainly it seems to us that we have suffered greater moral damage, and possibly, if a true account were available, not much less material damage than the countries overrun by Germany. Predicaments made familiar over months or years of gradual intensification at home are apt to be projected elsewhere and presumed to exist elsewhere whenever the imaginative picture of a stricken country is evoked. We hear of destroyed libraries in Europe; but we also hear of bookshops overstocked with books and newspapers. Truly we do not know their origin or their tendency. Copies of some of the worst newspapers are not hard to obtain in England, and there is of course plenty of paper for tax demands, forms, orders and the election addresses of dishonest and ignorant placemen. But broadly, the lines in Chapter XII of Sismondi's *History of the Italian Republics* in which the author describes the “fatal period at which

liberty can no longer be saved by a noble resistance, or recovered by open force" (1479) is an exact and detailed picture of England now. "The prince alone speaks, amidst universal silence." It may not be quite so bad as that; but it would be worse than that if it were not for *The Social Crediter*. (We know there are some pretenders; but we have no illusions about them). If, therefore, we receive from the continent of Europe any suggestion leading to the possible wider distribution, in a faithful and uncontaminated form, and preferably in English (which is widely read), of Major Douglas's war-time contribution to affairs we should give it every consideration.

We imagine ourselves to be addressing those abroad who have already received *The Social Crediter* for October 6. It would not surprise us if some of them should receive (from another source) a suggestion that there may be something slightly improper in the expectation expressed on page 8 that (third paragraph of the undertaking proposed to Social Crediters who desire to associate with the Secretariat) our friends should not discuss our advice with others. Read with care the document will be found to say something different from this, namely that we restrict discussion of our *special* advice. Special advice is never given excepting in special cases, and we should deem it highly desirable that anyone cut off from us by six years of war should avail himself of every device possible to become familiar with the nature of our advice and with the motives inspiring it. Obviously, the best source for information is not the opposition, however disguised.

An *ad hoc* body of great, and possibly of lasting influence, which owes no allegiance to the Secretariat was constituted during the war, the Medical Policy Association. Some of its literature is of permanent interest as a model of correct democratic action.

Apart from the very bad weather we have experienced (and survived), possibly the major difficulty of the war years has been the persistent efforts made to reduce the Social Credit movement, which is essentially a cultural movement, to the status of a 'funny money' stunt. There is every sign that nothing could possibly be more welcome to our enemies at present than a mass movement for 'reform' of the money system. Ration cards are much better! To quote from the issue of January 20, 1945, "... it is obvious that such projects as the nationalisation of banking and credit (as generally understood), the issue of debt-free money, the attack on profit and dividends are not only not Social Credit but they are a deadly menace to it. It is one of the most vital and indispensable functions of the Social Credit Secretariat to discredit the current and most dangerous heresy, the vicious legacy of the French Revolution, that change and progress are synonymous terms."

The situation is incomparably grave; but it can at least be said with conviction that if civilisation survives it will do so with the advantage of a great clarification of all the problems which have beset it in the past. The fatal hour has not struck, and a Christian society is still to choose.

Wage Policies

In the letter quoted on page 2 of *The Social Crediter* for October 6, "The real socialists are the Individualists" should be read for "The real socialists are the Industrialists."

SOCIAL CREDIT LIBRARY

A Library for the use of annual subscribers to *The Social Crediter* has been formed with assistance from the Social Credit Expansion Fund, and is in regular use. The Library will contain, as far as possible, every responsible book and pamphlet which has been published on Social Credit together with a number of volumes of an historical and political character which bear upon social science.

A deposit of 15/- is required for the cost of postage which should be renewed on notification of its approaching exhaustion.

For further particulars apply Librarian, 21, Milton Road, Highgate, London, N. 6.

BOOKS TO READ

By C. H. Douglas:—

Economic Democracy.....	(edition exhausted)
Social Credit.....	3/6
The Monopoly of Credit.....	(reprinting)
Credit Power and Democracy.....	(edition exhausted)
Warning Democracy.....	(edition exhausted)
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Programme for the Third World War.....	2/-
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Saturday, October 13, 1945.

From Week to Week

About two hundred 'Conservative' candidates, we read, talked about their recent experiences for several hours without a single recrimination. And the millions they defeated are just as easy for Lord Cherwell (Professor Lindemann) to manage.

"You must have the same confidence which you had when the Germans had their heel on your necks," said Gen. Eisenhower to Queen Wilhelmina. Yes, just like that!

Now that the Socialists are in power, the "B."B.C. will be able to devote a quarter of an hour to reporting Parliament which, for an eight hours' sitting will work out at a suppression of thirty-one thirty-seconds of the debates and (if you have ever heard the "B."B.C. report anything) the adroit use of the remainder to suit its grandly oriental masters.

We entirely appreciate the use of the word 'open' in the *Economist's* sentences: "Little point would be served by attempting to predict the contents of Mr. Shinwell's Coal Nationalisation Bill. . . Criticism of the Bill, when it appears, will it may be hoped, avoid the vast open spaces of controversy over the merits of nationalisation in general and concentrate on the practical details of its application."

Don't stop to argue whether the crime is wise or necessary (presuming crime ever to be wise or necessary); but get on with it! Possibly the *Economist's* artless call for a "maximum dispersion of responsibility" may have some reason in, not the coal industry, but the Ministry of Fuel; but we doubt it.

Perelandrism

A Fellow of Magdalen College, Oxford, Mr. C. S. Lewis, has written a novel, the third part of a Trilogy the earlier parts of which we have not seen. The last, called *That Hideous Strength*, makes one believe the author to be familiar with a great deal of the subject matter of, say, the *Brief for the Prosecution*, and in particular aware of 'science' as a dehumanised, more or less automatic tool, whose exponents are quite motivelessly "carrying on."

Their "carrying on" leads to the results, familiar enough to Social Crediters but, apparently invisible to almost everyone else, unrecognisable and unbelievable: e.g., the acquiring of control of the government and the newspapers by a research organisation, which has powers to requisition college land, and has means to turn a university town into a

hades of automatic drills, destroy the countryside for miles round, evict the population to house its army of sub-human thugs, engineer their own investment with the powers of a police force stronger and more efficient and more diabolic than the 'regular' force, and launch out on a programme of human vivisection under the cloak of 'remedial' treatment of petty offenders against the laws (such as they are). This organisation is known by the charmingly reminiscent initials, N.I.C.E. The 'Head' of the organisation is precisely what the word indicates, namely a truncated human head, made to 'function' by artificial circulation of blood at the proper temperature, pressure, etc., etc. With that inspired fatuity which is fast becoming the distinguishing characteristic of little girls with B.Sc.s and old men with D.Sc.s, it occurs to them that human beings can do without bodies. So there you are! It is not (yet) quite in the picture that the initiates of this unfriendly order bow down to their Baal physically as well (as at present) only morally and figuratively—and, of course, politically. We hesitate to advise the presentation of copies of the work to university unions, since we are not sure whether the London School of Economics has a suitable laboratory.

The immediate occasion for N.I.C.E.'s invasion of Bragdon Wood, a sanctuary of Bracton College, turns out to be the body of Merlin entombed beneath it. But Merlin is secured by 'the other side,' and invades the N.I.C.E. stronghold, driving its crazy inhabitants mad, and arranging for the introduction of the experimental animals into their midst while they are gathered together for a banquet. There is a banquet, indeed two banquets, the account of which most school children who attend the picture theatres are tough enough to read through. We would only object that the present situation is not improved, possibly the reverse, by the suggestion that it is necessary to invoke the Beings of the Interplanetary Spaces to settle a dispute of human origin.

The "Secret"

"... wiseacres overseas are discussing the vital question: to share or not to share the atom secret with 'friendly' nations, and there are some who recommend that the sinister formula be imparted to 'Big Business,' notably the Dupont firm."

The quotation is from an article signed H. R. in *The Patriot* for October 4.

There are some curious features about the atomic bomb propaganda, which are best illustrated in question form:— (1) If Mr. Truman or Lord Anderson were told the "secret" (assuming it can be 'told') would either of them understand it? (2) Is the 'formula' (assuming there is a formula) financial, industrial, chemical, physical, musical, psychological, philosophical, medical. . . ? (3) Since all the workers concerned were in hermetically sealed compartments and did not 'et their right hand know what their left hand did,' who was the pre-knower, who pre-knew the (alleged) end-result? (4) Was he single or multiple, Greek, Barbarian, Scythian, Jew, 'American,' 'British'? (5) How do the keepers of the residue (if there is a residue) know that the whole lot won't 'go off' the next time I whistle? (6) Does everybody believe everything Mr. Churchill says? Mr. Truman says? *The Times* says? The "B."B.C. says? (7) What are the name and address of anyone who has *seen* any more convincing evidence of the existence of an 'atomic bomb' than a photograph easily producible with the aid of a camera and a paraffin lamp? (8) Is the 'secret' that there is no secret?

The Use of Money

By C. H. DOUGLAS

*An Address delivered in St. James's Theatre, Christchurch, New Zealand, on February 13, 1934.**

I should like to begin the explanation and the address that I am privileged to make to you, by stating what I have no doubt, to many of you, is a truism, and that is, that we are familiar with two kinds of laws. There is natural law of the nature of the conditions which compel a stone to fall when it is dropped from a height, and which, if it falls, let us say, in a vacuum, always falls at the same rate of acceleration under the compulsion of gravity. That is a natural law, and, so far as we know, those laws are compelling laws. We cannot change the laws of that description, and all we can do is adjust ourselves to those laws.

But there is also a second type of law, a law which is what we may call a conventional law. Of course, our legal laws—the laws of our Government—are conventional laws. We have agreed to rule ourselves by those conventions. On a smaller scale, of course, we have the same sort of thing in connection with playing a game.

We agree that, in a game we call cricket, if the ball is struck by the batsman and is caught by a fielder before it touches the ground the batsman is out. We are not obliged to have conventions of that sort. We could change them if we found that we could improve cricket by some other convention.

Those two laws have to be very carefully separated in one's mind in considering such matters as we are now discussing.

It has been very frequently stated during the past fifteen years or so that there is no escape from inexorable economic laws. As a matter of fact, there are no inexorable economic laws with which I am familiar; they are practically all conventions.

What we call an economic law is what happens if you agree to pursue certain ends in industrial, economic, and social organisations governed by certain conventions. That is about all that so-called economic laws amount to.

Now, the first requisite in any understanding of this position on the basis of what I have just been saying is to recognise that what we refer to as conventional laws are matters of policy. You do not make a conventional law without having some sort of an idea in your mind as to what it is you are trying to do—what end you are endeavouring to serve,

If you make a law that all motor-cars shall drive on the left-hand side of the road, you have in your mind that in that way you will avoid collisions, and you have a policy in your mind in making such a law that you want to avoid collisions of motor-cars.

We have at the present time a thing that we call an economic system, and I do not believe that we are at all clear, in many cases, as to what it is we are trying to achieve by means of that economic system, and by means of the conventions with which we surround it. For

instance, we say at the present time that one of the troubles which assails the present economic system is what we call the problem of unemployment.

When we say that the problem of unemployment is one of the major features of the crisis at the present time we are, at any rate unconsciously, if not consciously, suggesting that one of the objectives of a policy, of an economic system, is to provide employment. Now that is not an axiom: that is not a thing that you can take as being true without examining it. It may possibly be true—I do not myself think there is a grain of truth in it whatever—it is conceivable that you might want to run an economic system for the purpose of providing employment.

If you wanted to run an economic system for the purpose of providing employment, quite obviously the first thing that you would have to do to rectify the present position—the only sensible thing to do—would be, as far as possible, to put the clock back about two hundred or three hundred years. You would destroy as far as possible all your labour-saving machines; you would cease to use the power which you have developed from water and otherwise, and you would revert to handicraft, and in doing the handicraft you would avoid, as far as possible, the use of any tools which would facilitate that handicraft. You would do everything as laboriously as possible, and you would undoubtedly solve the unemployment problem. Everyone would undoubtedly have to work very hard indeed to get a living.

That simple idea, as a matter of fact, was the first idea that struck the Russians when they made the Revolution of 1917. The first thing they did was to remove, or in some cases imprison, their scientists and their organisers. They said they did not want them: they said they wanted the population to work, and they got them to work quite easily.

You see, it is quite possible to demand from the economic system a lot of different things. For instance, in regard to this question of employment and unemployment; there has been, I think, an almost absurd confusion on the part of such people as, let us say, the well-known and very able delver into these matters, Karl Marx, who complained that the present system provided a parasitic class who batted on the producers of the wealth of the world. And at the same time, of course, complained that the economic system was breaking down, and quite correctly from his point of view, that the capitalistic system was breaking down because it could not provide employment.

Now, either unemployment is a privilege—in which case quite obviously you want to try and get as many unemployed as possible—or else it is something requiring pity, in which case any parasitic class is an object of pity and not of contempt or of criticism. You cannot have it both ways. You must make up your mind whether you want to provide leisure, by an economic system, accompanied by goods and services producing what we call a high standard of living with an increasing amount of leisure, or, conversely, you must admit that what you want to do is to provide employment, in which case your policy is exactly opposite.

The policy which is attached, and the matters which can be attached to a policy to relieve the unemployment problem permanently, must in the very nature of things be a policy which will decrease the unit production of

*This valuable Address is now out of print in pamphlet form and is reproduced here because its republication otherwise may be delayed.

wealth by the individual, and a policy which is intended to produce and deliver goods and services with the minimum amount of trouble to anyone must, quite mathematically, increase the unit production of wealth, and so create what you can, if you like, call an increasing unemployment problem. Those are the only two alternatives in regard to that, and you must first of all, before being in a position to form any opinion at all upon proposals in regard to the present crisis, make up your mind as to what it is you want.

Now, the second necessity of an understanding of this situation is a sound analysis of the difficulties which stand in the way of getting to where we decide we want to go. That is to say, if we decide—and I am assuming that having put the matter to you in the way I did you will practically all have decided that we do not want to produce for the sake of producing, but that we do want to deliver goods and services—that what we want from the economic system is goods and services to provide a high standard of living—

Interjector: I want a job!

And then you will be able if you like to provide jobs for yourselves, you will I think—unless I grossly underrate the intelligence of the gentleman who made that remark—agree that if he was provided with what he would refer to as an income of £500 a year, he would be able to find some use for his leisure.

Now, if you do agree with me, for the sake of hypothesis we will say, that the only object of an economic system is to deliver goods and services to the population concerned, with the minimum amount of trouble and friction to anybody, then the next thing to do is to analyse whether that is possible, to what extent it is possible, and what, if anything, interferes with carrying out your plans.

Now, at this point you have to make—not a mental effort—but an effort of self-demesmerisation. I want you to demesmerise yourselves from the idea that money is the same thing as wealth and goods and services. You say that you cannot get goods and services without having money. That does not mean to say that those two things are the same; they are not. I want you to separate them in your minds and to look with a clear and unbiased eye at the purely physical side of the production system to-day.

Can you imagine yourself, if you had sufficient money, going to any shop for any article that you can conceive of and not getting it? Is there any requirement of common use in the world to-day of which you could tell me that there is a definite physical shortage? If you can, I shall be interested.

I can tell you, conversely, of a long string of articles which are actually greatly surplus to the actual requirements of the world at the present time. For instance, to take a very simple instance, more coffee was wilfully destroyed in Brazil during the past year than would have provided the whole coffee-drinking population of the world with all the coffee they wanted. The same thing is true of practically every staple article of which you can think. There is too much rubber: there is more rubber than we can at the moment use.

They are making elaborate preparations in the United States to pay quite a large bonus for NOT growing wheat. The same thing is happening in the Southern States of America in regard to cotton. In almost every direction in which you can turn you will find evidence of overflowing

—either actual or potential—and easily realisable physical wealth to such an extent that it is quite impossible for anybody who knows anything about the subject at all to avoid the conclusion that physical plenty and complete freedom from economic trouble associated with bed, board, and clothes, is literally waiting at the door of everyone of us if we realised it.

That is the physical fact. So that it is not to the physical side of the production process that we have to turn when we want to find out why it is and what are the difficulties which prevent us from realising the objective that I suggested we wanted to realise, and that is sufficient goods and services for everybody with a minimum of trouble to everybody. It is not on the physical side that we shall find the difficulty.

Now, before going on to look at another side of the problem, I want to examine very briefly what we find in the present state of affairs which would not correspond with that objective that I suggested is the correct objective. Where do we differ? Where do we “go off the rails?” as we might say, in endeavouring to reach this objective. What is happening which is not in line with this objective that we have decided we want to reach? Well, first of all I will just deal with a few points which I think you will recognise as existing at the present time. We have surplus—by which I mean unpurchasable, not necessarily unnecessary—but unpurchasable production. We know that is so, and that it is being destroyed in many cases. We have consequent unemployment as the phrase goes because no further production is for the moment necessary; but that consequent unemployment can be translated into the words “surplus productive capacity.” If we have a large number of unemployed producers, then, quite obviously, we have a surplus productive capacity which is not being drawn upon, so that, in addition to the actual surplus production, we have evidence all over the world of surplus productive capacity.

Interjector: Not in Russia! No, not in Russia. That's quite right.

Russia is the only poor country in the world. Now, the third, a symptom which we have at the present time, is consequent poverty, consequent on unemployment according to this phrase. Remember that I translated unemployment in this connection as surplus productive capacity, and we have the curious but quite undeniable result of surplus productive capacity, that we have poverty.

It is an extraordinary thing that it is possible to have poverty as the result of surplus productive capacity; but that is exactly what we have got.

Now I will translate poverty again into something which you will agree is the correct translation. Poverty is lack of sufficient purchasing power accompanied by economic need. I think that if you will think that over you will find it quite impossible to deny that translation. The next thing that we have is redundant machinery and plant; that is to say, we have mills and factories and farms and fields, all of which are there and could be made to produce a great deal more than they do produce. That so-called redundant machinery and plant can also again be translated into surplus productive capacity. Now what is the result of surplus productive capacity in plant and in agriculture and so forth? It is another phase of exactly what we found in regard to surplus labour

capacity. It results in consequent cut-throat competition to sell at prices which are unremunerative—and when I say unremunerative, I mean that they do not provide any purchasing power to the people who are producing. That is what that means; nothing else. When we say that the production of an article is unremunerative we do not mean to say that nobody wants the article; we simply mean that according to the conventions under which we produce that article, the person who produces it does not get any purchasing power as a result. Now the next thing, which is of course the same extension of that, is the disappearance of industrial profits as a result of that cut-throat competition.

Of course, there is a very strong tendency in these matters to assume that only one section of the population is hit. It is part of my point of view in regard to these matters that first of all that is not true, and that, secondly, the practical means of rectification of these matters will probably require a united front against certain things which are interfering with us, and that nothing from the practical or the theoretical point of view can be so unwise as to assume that this is a class matter. It is not: it is a matter which affects every man, woman and child in this theatre.

Now, the next and final, and possibly the most immediately terrible result of this situation, is competition for foreign markets, because of a lack of sufficient home markets, and that competition for foreign markets is the primary cause of war.

I want you to think over those things that I have just been saying and realise that they have one common factor. Although every one of them has from time to time been regarded as the disease itself, just as I was suggesting unemployment was regarded as a disease in itself, from my point of view and the point of view that I am putting to you to-night, none of them is more than a symptom. They are all symptoms of one common disease, and that common disease is lack of something we call purchasing power. That single thing can be traced in every single one of those symptoms that I have been speaking to you about.

Now then, let us assume—and I believe it is quite impossible to deny—that it is not physical poverty which is afflicting us: it is lack of purchasing power which is preventing us from getting the physical riches which are waiting to our hands. What is this thing that I am talking about as purchasing power? Well, of course, in one sense any of you could answer that. What you want for purchasing power is money in your pocket, and that, of course, does not get us very far—an answer like that.

What is the nature of purchasing power, and what is the nature of this thing—money? There is a very good definition of money which I will give you first of all. Quite an orthodox definition which will not be denied by anybody who knows anything about the subject, and that is that “money is anything, no matter of what it is made, nor why people want it, which no one will refuse in exchange for his goods if he is a willing seller.”

You will see that that definition immediately rules out anything specific of which money has to be made. Money is not, for instance, gold or silver, or any of those things. Those things may be money, but money is in no sense confined to any particular metal.

Now, thinking that over, it ought at once to occur to

anybody that if, under certain circumstances, anything will do for money there ought to be no shortage of money.

If money had to be made of gold, and if there was only so much gold in the world as presumably there is—I believe there is only a block of gold about forty feet cubed which is all the existing gold in the world to-day that has been mined during the past two thousand years—and we cannot do without purchasing power, we should be in a difficult position, obviously. But when we say that money is anything, no matter of what it is made nor why people want it, that no one will refuse for his goods, then we are getting into quite a different region.

Money is something that acts as what we call “effective demand.” Something which people will exchange, will take in exchange, for the goods that they want to dispose of. Now let me draw your attention to what you might call the simplest form of effective demand with which you are probably acquainted, and that is a railway ticket. A railway ticket is effective demand for a journey: for the journey which is described on the ticket. That is exactly what a railway ticket is.

How does a railway ticket differ from a one-pound note? A railway ticket is effective demand for one particular thing, and that is a railway journey. A one-pound note is a ticket which is effective demand for anything which has the figure of £1 marked on it in the form of price. They are both tickets. There is no difference in nature whatever between a ticket which is good for transportation and a ticket which is good for anything else, except that one of them has a universal purchasing power, and the other only has a limited purchasing power.

When you buy a ticket, when you go to the booking office of a railway, you exchange one type of ticket for a more limited type of ticket, and that is all you do in effect. Now, supposing that you imagined that the whole of this productive system which we have been examining and finding to be so rich, supposing that you imagined it to be all of one kind, and that kind nothing but transportation: that all the wealth of the world, instead of being so diverse in the form of motor-cars, food, houses, and so forth, supposing it were to coalesce into one thing like transportation. Supposing you found that there was any amount of transportation; that there were plenty of railways and plenty of locomotives; plenty of rolling stock and plenty of people to operate the railways; plenty of fuel and so forth; but for some reason a different organisation from the railway had obtained control of the issue of all the tickets which were required to travel on the railway, and if you were quite sure that there was a great deal of distress in the world and if everything appeared to be going wrong, and you were quite clear that it was for lack of transportation facilities and yet you knew that there were plenty of transportation facilities, you would naturally say, without very much waste of time: “What has happened to the ticket system? How is it that we cannot get the tickets on the railway?” Now exactly that thing has happened to the present economic system. The whole of the productive system has become completely separated from the ticket system that we call the financial or money system.

I am going to go very rapidly over just exactly how that separation has taken place, because it is a good way of fixing it in your minds, and it is very important.

Originally, just as you would expect in regard to a railway which issues its own tickets, the wealth producers of the world—a great many thousands of years back—also issued their own tickets. Wealth in those days was chiefly cattle, and the owners of cattle punched leather discs representing a head of cattle, and they could exchange those leather discs for corn, and when the corn-man wanted to collect the cattle he came up with the leather disc, collected the cattle, and handed over the disc. My point is that the wealth, the real wealth, and the money—the token or ticket for the wealth—originated at the same point. Now the next stage in the proceeding was in the Middle Ages when, as no doubt many of you know, the goldsmiths were the custodians of wealth in a portable form. They had the best strong-rooms. They took care of valuables as well as actual money though, and they gave receipts for the valuables that they took care of. Now, those goldsmiths' receipts were signed by the goldsmith and they came into use in exactly the same way that your one or five-pound notes are in use. The goldsmith's receipts, signed by the goldsmith, are the lineal ancestors of our modern bank-notes, and the signature which you will find on the bottom right-hand corner of a bank-note in almost any country is simply a continuation of the custom of the goldsmith to sign that receipt on the bottom right-hand corner. Those receipts were receipts for wealth, and they were not issued by the people who owned the wealth: they were issued by the custodians of the wealth, which was quite a different matter.

You got at that point a separation of the issue of these things that we call money from the wealth-producing centre; you got a separate centre which did not produce wealth at all—it simply took care of it under those conditions.

Now that condition was continuous up to a very short time ago, practically up to the beginning of the European War, and the convention was that either a bank-note or a cheque on a deposit—which was simply an order to a goldsmith to pay so much to somebody else, which is exactly what was done in the old days—when both of those things, the bank-note or the cheque, were supposedly cashable at any time in tangible wealth at the bank.

The idea was that the bank was a custodian of a certain amount of tangible wealth, and that could be drawn out by means either of a bank-note, which was payable on demand, or by a cheque, and the actual tangible wealth could be taken away. That was the convention.

There is an idea put forward by people, who ought to know better, at the present time, that banking is that sort of thing now. It is nothing like that, as I propose to show you. Well, now, there used to be, of course, a lot of bank failures, even in Great Britain, and those banks failed because people suddenly decided, all at once, to draw out the things for which they had orders on the bank in the form of bank-notes or cheques, and when they all tried to draw out at once they found it was not there. That is what happened.

It never was there; it never has been there for at least a hundred years. The bank has never consisted, in the last hundred years, of merely handing out at one end of the counter what was put in at the other. No bank ever paid a dividend in the last hundred years on the process of merely lending that which it took in. There is no

possible doubt at all about this thing. I sometimes wonder why it is that certain protagonists—certain defenders of the present banking system—go on arguing about this matter. There is no possible doubt about it.

There are any number of authorities who are all agreed about it, and one of them is the *Encyclopaedia Britannica*. If you will turn up the article on "Banking" in the *Encyclopaedia Britannica* you will find this written: "Banks lend by creating the means of payment." Not merely by lending the means of payment, but by CREATING the means of payment.

The matter has been explained by a dozen quite unimpeachable authorities, including Mr. Hawtrey, an Assistant Secretary of the Treasury, in London, who explains exactly how it is done in his book. I have explained it myself, but I do not set myself up as an authority, and anybody who likes to go into the matter can convince himself that nowadays the banking system is a mechanism for actually creating purchasing power, and is a separate organisation from the producing system, which is controlled by the ticket system, and it is there that you have to look for the lack of purchasing power and for the means to put right this lack of purchasing power.

Now, what is it that we have to do to put right the lack of purchasing power, assuming for the moment that we have the power to do it? That is a separate story. But, assuming for the moment that we have the power, what is it that we want to do? There are two sides to this question of a ticket representing something that we can call, if we like, a value. There is the ticket itself—the money, which forms the thing we call "effective demand"—and there is something we call a price opposite to it.

If we have a one-pound note as a certain value dependent on the price against which it is offered, we can generalise that by saying this: that the purchasing power of money is inversely proportional to the price level, by which we mean, of course, that if the average of all things that you want to buy goes down, then the purchasing power of money goes up. That is what we mean by saying that the purchasing power of money is inversely proportional to the price level.

Now, if you have a lack of purchasing power there are two things that you can do in regard to it. The first and most obvious thing, but, as so very often happens, not the right thing to do, in regard to it, is to issue more tickets to make up the lack between the purchasing power available and the prices of the goods for same. But if you do that you come up against a difficulty which is well known, and that is that you get a rise in the prices of articles against which the money is offered, because there is nothing to prevent the prices being raised when the sellers find there is more money about.

But you can produce exactly the same result by, let us say, halving the price of everything. That is to say, instead of doubling the amount of money on one side, if you halve the price of everything for sale on the other side, you will produce exactly the same result as if you had doubled the money without raising the prices. That is exactly the same thing.

(To be concluded.)