

# THE SOCIAL CREDITER

## FOR POLITICAL AND ECONOMIC REALISM

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### From Week to Week

"Finance and publicity are concentric." For this reason the attack which seems to be developing in the United States on certain newspapers for their record of partiality for 'fellow travellers' may yield results—unless the stake-holder gets the umpire's whistle and blows it before the fight is fought to a finish. To associate the movement with a 'revolt of the American masses' as does Mr. Hanighen in *Human Events*, does not promise results of the order required, but merely a 'battle of the books.' There are too many books, and it will not be possible for good sense to be heard by even an acute ear until they are pruned down. When 'thought' mattered in the world, the output of books could not have exceeded half a dozen a year—and ephemeral 'literature' did not exist.

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" . . . Omar Bradley and Dwight Eisenhower belong to the same 'crowd.' It is little understood outside the services that there is a strong tie, a strong relationship over many years, which plays a big role in the attitudes of individual officers, not the least when they appear before Committees on the Hill.

"Those who know the Army well realize that it has been long split into two factions: one stemming originally from Pershing, the succession being carried on by Marshall (Pershing's favourite); the other composed of MacArthur, his friends and admirers. Varying ideas on defense strategy, varying political attitudes and the usual struggles for promotions mark the composition of both these factions.

"There occur, at times, changes in this line-up, shifts of individuals from one group to another. Thus, in the Thirties, Major Eisenhower was 'fired' by MacArthur in the Philippines, came home and was snapped up by the Marshall clique. When Marshall boosted the comparatively unknown Eisenhower to high place, this was interpreted in army circles as a flat defiance to MacArthur and his men."

—*Not Merely Gossip* (Washington).

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We are reminded that in the reign of Augustus there were not even texts entitled *non modo rumor*.

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The Rev. G. B. Bentley is sticking to his theme. In *The Guardian* for June 15, he writes:—

"I can think of nothing better calculated to turn the present anxious bewilderment of the likes of myself into active suspicion than the apparent determination of Freemasons to prevent any open discussion of their activities. For everyone's sake I do most sincerely beg Mr. Judd and others, not to take this line. It only plays into the hands of the enemies of Freemasonry if its adherents claim for it a sacrosanctity and an immunity from Christian examination that no one would think of claiming for anything else. . . ."

It seems to be generally believed that the great volume of world travel of young persons of all countries from all countries to all other countries is a spontaneous burst of individual initiative heralding the imminent outbreak of the Brotherhood of Man (Korea excepted). An expensively produced "Survey of Educational Travel" for which only 2/- is charged by a centralising bureau of the familiar kind informs us that there are 205 agencies (the British Council makes 206) facilitating these peregrinations in one way or another—mostly 'for nothing.'

### Stimulants

" . . . and then in London at Scoones', modern history which was a sealed book to all of us, was revealed by the brilliant history lectures of J. W. Allen. . . . I was not expecting much when I walked a thin man with a rather lean face, gleaming eyes and dark unruly hair . . . he began to read out with a low chuckle gentle wads of paradoxical dynamite and electric suggestion on the subject of the French Revolution. He used to say that men of action were not only more interesting than people who were merely literary, but generally had far better brains. I have always found this to be true. . . . He told me the half of history that is not told in books: for instance, that the Reformation was not a popular democratic movement; that Russia was not in fact being governed by the all-powerful iron will of a single individual, but a chaotic bureaucracy which would most probably end in revolution; that the French parliamentary system was not a Heaven-sent institution, nor universally beloved in France; that the party system in England would in the near future very likely lose all reality, and that the House of Commons might degenerate into the same position as the Roman Senate enjoyed during the Roman Empire, and probably end in bringing about a Socialist regime or an absolute monarchy—suggestive words which have not proved altogether untrue, and they were said in the years 1894-98. He used also to say that to be happy you should have no profession, but an absorbing hobby. . . ."

Maurice Baring, "Lost Lectures," 1932.

### The Leaden Curtain

The New York *Times-Herald* has published a Reuter message from Dublin, dated April 20, as follows:—

"The Irish censorship of publications board today banned *Look* magazine for six months. Another nine magazines and 69 books also banned by the board include Pearl S. Buck's *The Patriot*."

If anyone can give us details of this list of ten magazines and 69 books we should be interested to see them or to know of other activities of "the Irish Censorship."

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*House of Lords: June 12, 1951.*

#### Magistrates' Action in Tulip Case

*Viscount Simon:* My Lords, I beg leave to ask the Lord Chancellor a Question on which I have given him private notice—namely, whether His Majesty's Government have any statement to make in relation to the recent case at South Shields where a woman was remanded in custody for a night for picking three tulips and was fined on the following morning the sum of £5.

*The Lord Chancellor (Viscount Jowitt):* My Lords, my attention has been called to this case, and I have obtained a full explanation from the magistrates concerned. The magistrates have been greatly disturbed at the increasing practice of damaging flowers and shrubs growing in public places. I agree with the magistrates in thinking that this is an obvious anti-social act, which should not be passed over as a matter of no consequence. Such conduct, if unchecked, would make it impossible by planting flowers and shrubs to beautify places to which the public have access. I can, therefore, well understand that the magistrates, particularly in view of the prevalence of this type of vandalism in their area, thought that the matter should be severely dealt with. The maximum penalty which the law provides, under Section 23 of the Malicious Damage Act, 1861, which was the Section under which these proceedings were brought, is a fine of £20 or six months' imprisonment.

I have no reason to doubt the competence of these magis-

trates, who arrived at their conclusion after careful consideration of all the circumstances. Nevertheless, whilst not wishing to imply any censure I feel bound to say that in my opinion they made a grave error of judgment in the course which they took, although I am satisfied that they were endeavouring to do their duty. To keep this woman in custody overnight, and then to fine her the sum of £5, a substantial sum, on the following morning, looked like punishing her twice for the same offence. Justices have power to remand the accused person after conviction for the purpose of enabling enquiries (including inquiries into the physical and mental condition of the defendant) to be made, or of determining the most suitable method of dealing with his case. A remand for this purpose may be in custody or on bail.

It would obviously be undesirable for me to attempt to lay down any general rule as to the occasions on which these powers should be exercised, or upon the question in what circumstances, when these powers are exercised, the remand should be in custody and not on bail. Two propositions seem, however, to be clear. First, a series of cases establishes that this power to remand in custody ought not to be used merely as an additional means of punishing the accused. Secondly, the power of remanding in custody should be used, in the case of a woman with young children, only in very special circumstances. I hope that what I have said may provide some useful guidance to magistrates, and I have ascertained that the Lord Chief Justice agrees with the opinion which I have just expressed. After careful consideration of the whole of the circumstances of this case, I do not propose to take any further action, and I have caused the magistrates to be informed of my views on this matter.

*Viscount Simon:* My Lords, While thanking the Lord Chancellor for his full answer, which I hope will be widely reported, may I ask my noble and learned friend one supplementary question? It is on a point which I think is involved in what he has said, but it is a point which ought, I submit, to be emphasised. The power of magistrates to remand an accused for the purpose of making necessary inquiries, or in order to have time to reflect on his punishment when he is convicted, is, of course, an essential part of our criminal law, though, as the Lord Chancellor has said, the accused ought not to be remanded in custody unless there is reason to think that, if left at liberty in the meantime, he is likely to abscond. But would the Lord Chancellor think it right to make it very plain in a supplementary answer that magistrates are not entitled to remand in custody for the concealed purpose of teaching the accused a lesson, when there is no real justification at all for postponing sentence? If, as I understand was the case, this woman was brought up before the magistrates in the morning following her wrongful act in damaging the Corporation's display of flowers the night before, and she then pleaded guilty, the effect of the remand was to punish her, a mother with small children, with twenty-four hours' imprisonment before the magistrates imposed the fine. I submit to the Lord Chancellor that it might serve a useful purpose if he thought it well to say something in supplement to his original answer.

*The Lord Chancellor:* I am obliged to the noble and learned Viscount; it is desirable that this matter should be made completely plain. I respond to his question by saying quite categorically that in my view it is wrong for a court to use the power to remand in custody for the purpose of

(continued on page 6).

## THE SOCIAL CREDITER

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### Authority

We cannot too highly value some words of the Dean of Winchester at the close of an article in the June number of *Theology*. While they are meant to refer to the present position of the Church of England *vis-a-vis* what is called 'Reunion,' and do explicitly refer to it, by a parenthesis they are placed within the legitimate range of this review. These are the words:—

"The issue which I believe underlies the whole process (and indeed much else that is afoot in the world to-day) is that of authority, and until that issue is tackled on a far larger scale than is the case at present, I do not think we shall get much farther. But that is another matter, and one that may well call for at least a century of work."

By all the means in our power we should endeavour as Social Crediters to underline this objective, for the re-establishment of authority as the basis and the sole basis from which successful social life can proceed is fundamental to our case. "Power cannot be destroyed; it can only be transferred. Authority cannot be destroyed neither can it be transferred." Both these assertions, which are complementary, contradict the prevailing pretensions of current thought, and action based upon those pretensions departs from reality in the same measure as they depart from truth.

The dogmas from which the whole world suffers are cunningly contrived: that authority can be redistributed by Act of Parliament, and that power can be destroyed by 'democratising' it. Perhaps with the Dean of Winchester's estimate before them, Social Crediters will cease to deem themselves slow if they do not accomplish their task this year.

### The Winding Trail

The following is an appendix (p. 147) to "Tannhauser and the Mastersingers of Nuremberg: Described and Interpreted in Accordance with Wagner's Own Writings," by Alice Leighton Cleather and Basil Crump (Methuen). 1912.

"Wolfram von Eschenbach, the principal minstrel in Tannhauser, belonged to the Order of the Knights Templars, and further information concerning his connexion with this body, and his epic poem, *Parzival*, will be found in our book, "*Parsifal: Lohegrin, and the Legend of the Holy Grail*." The Catholic writer, Eugene Aroux, has dealt very fully with the history of the minstrels and bards of the Middle Ages,

and the real object of the great movement which they represented. They called themselves Minnesingers in Germany, he tells us, bards and skalds in Scandinavia, minstrels in England, *trouvères* in Northern France, troubadors in the South, and *giullari* in Italy.

"Prester John, the mysterious Eastern King of the Grail Brotherhood . . . was the chief of the entire Order, which professed 'the religion of Love'—the Love of Humanity. They had a mystery language, *Parler-clus* (closed speech), which Dante, a member of the Order (as was also Francis of Assisi), brought to its highest and most perfect expression. Aroux states that it was a triple language; that the Divina Commedia has three times thirty-three chants; that the number of thirty-three knights is often met with in the *Chevalerie*; and that there were thirty-three degrees in *La Massenie*, the Freemasonry of the fourteenth century.

"Most of the chief names and terms in their songs had a symbolical meaning, as it was absolutely necessary in those troublous times to conceal unorthodox teaching. Thus their songs dealing with Love and Woman refer directly to the Love of Humanity, their secret teachings, and their allegiance to their Order. All their Lodges had female names, that of Maria being a favourite (*cf.* Tannhauser's appeal to 'Maria'). Fully initiated Knights received the title of 'Perfect,' a golden cup (symbol of the Grail), a horse (which signified a community to lead), and 'a kiss of a most beautiful lady,' indicating communion with brother initiates.

"The term 'Courts of Love' had the same symbolical significance; also the German word *Minnesinger* (Love-singer). The members of the Order were of two grades, of which one worked among the higher classes of the community, visiting courts and castles in pursuit of their mission; and the other had to do with humbler folk. Aroux says that, like Prester John and the Grail Brotherhood, all these singers obtained their teaching from the Orient. The Arthurian legend was part of this great movement and had a closer connexion with the history of England than most people imagine. Only 'Perfect Knights' were members of the Round Table. . . .

"Many kings and princes were numbered among these knightly poets . . . romances based on what was known as the 'Celestial Chivalry' exerted a powerful influence for good among all classes. One of the titles, 'The Knight of the Bright Star' reminds us of the Star addressed by Wolfram in Acts I. and II. of Tannhauser . . . ) Many of these songs and romances dealt with Spring and Love, which Wagner has used as the themes of Walther's Trial Song (in 'The Mastersingers'). The great feast of the Minnesingers was Pentecost, as representing inspiration and the gift of tongues (See *Acts II*, 1 to 4) after which they started out on their travels."

Included in the Bibliography at end of work are the following:—

*Dante, Hérétique, Révolutionnaire et Socialiste.* Eugène Aroux. Paris, 1854.

*Les Mystères de la Chevalerie et de l'Amour Platonique au Moyen Age.* Eugène Aroux, Paris, 1858.

*La Comédie de Dante.* Eugène Aroux. Paris, 1859.

"*Disquisitions on the Anti-Papal Spirit which produced the Reformation.*" Gabrielle Rossetti (Professor of Italian Literature at King's College). London, 1834.



### Gnosticism

Dean Mansel's chapter on the Sources of Gnosticism continues:—

The origin of evil holds a very subordinate place, if indeed it can be said to have been considered at all, in the philosophy of Greece. The Greek mind was rather disposed to view the world in the light of an evolution from below, than in that of an emanation and descent from above. This may be seen not only in the poetical cosmogonies and theogonies which preceded philosophy proper, evolving the world and even the gods from a primitive chaos and darkness, but also in the first efforts of philosophy itself—in the hylozoism of the early Ionians, evolving the higher forms of existence from the action of some primitive material element, and again, after this view had been superseded by the influence of the mathematical and metaphysical abstractions of the Pythagoreans and Eleatics, in its revival in a modified form in later theories, in the four elements of Empedocles, in the *homou panta* of Anaxagoras, in the atoms of Leucippus and Democritus. Even the metaphysical schools of Greek philosophy, commencing their speculations with the highest and purest abstractions, cannot be said to have in any way grappled with the problem of the existence of evil. The Eleatics contented themselves with little more than the dogmatic assertion that the One alone exists, and that plurality and change have no real being. . . . In [the *Theætetus*] mention is made of a *something* in the world which must always be opposed to good. . . . But such hints as these, scattered and incidental as they are, though they gave occasion to Aristotle to say that Plato regarded matter as a source of evil, show that the problem was one which the mind of the philosopher only glanced at transiently and unwillingly, which he was glad to keep as far as possible in the background of his teaching, and of which he never attempted a systematic solution. . . . The Stoics indeed may be said to have partially considered the question from their own point of view; but their pantheism, and their theory of the perfection of the world as a whole, compelled them to treat it only in a partial and superficial aspect. . . .

The slight and cursory notice which this question received in Greek philosophy may to some extent be accounted for by the character of the national mind. The Greek was of all men least disposed to look on the gloomy or negative sides of the visible world: his feelings opened themselves to all that was bright and beautiful and beneficial in nature; his creative fancy imagined gods for itself in the sun and moon and stars of heaven, in the mountains and groves and streams of his native land, in the corn and wine and fruits of the earth which contributed to his enjoyment. Such a temperament was not likely to be impressed with an overwhelming sense of the evil that is in the world, nor to tinge the national philosophy with dark representations of the inherent malignity of matter.

Very different was the tone of thought in the East, where philosophy, far more than in Greece, was identified with religion; where, consequently, the presence of evil was more keenly felt, and theories concerning its nature and origin formed the very keynote of philosophical speculation. Two principal theories may be specified as endeavouring in different ways to account for the existence of such a phenomenon: the dualistic theory, which proceeded on the hypothesis of an original struggle between two antagonistic principles of good and evil, and the emanation theory, which supposes a gradual

deterioration by successive descents from the primitive source of good. The former may be distinguished as the Persian, the latter the Indian theory. I do not mean that the emanation doctrine is peculiar to India; on the contrary, it holds a prominent position in the Persian religious philosophy likewise; but in the Persian philosophy the hypothesis of emanations appears as a consequence of the existence of evil, while in the Indian philosophy it is the cause of it. The one assumes the existence of two conflicting powers of good and evil, each of which gives rise to subordinate beings of similar nature assigned to assist in the conflict. The other supposes one original existence of the highest and most abstract purity, and represents the origin of evil as the final result of successive degrees of lower and less perfect being.

The Zoroastrian religious system, which, commencing according to tradition in Bactria, one of the eastern provinces of the Persian empire, became ultimately the received religion of Persia in general, is involved in much obscurity as regards the period, as well as the manner of its origin. Whether Zoroaster (Zerdusht or Zarathustra), its reputed founder, was historical or a mythical personage, whether he flourished, according to one favourite opinion, in the reign of Darius Hystaspis, or, as others maintain, at a much earlier period, whether his religious system was wholly original or the reformation of a previous belief, are points still under controversy, and about which it is unsafe to pronounce any decided opinion. But the system itself, according to what appears to have been its earliest form, was based on the assumption of the existence of two original and independent powers of good and evil, or light and darkness—Ormuzd (*Ahura Mazda*, the wise Lord) and Ahriman (*Angru Mainyus*) the wicked spirit. Another account of the doctrine represents both these beings as the offspring of a higher principle called Zarvana Akarana ('boundless time'), but this appears to be a later refinement of the theory which originally regarded the two principles as co-existent from the beginning in eternal antagonism. Each of these hostile powers is of equal strength, each supreme within his own domain. Ormuzd dwells in the region of perfect light, Ahriman in that of perfect darkness, and between them is an interval of empty space, separating the one from the other. Each becomes at length aware of the other's existence, and of the necessity of a contest between them. For three thousand years each is occupied in the creation of subordinate powers to assist him in the struggle. . . . After these creations Ormuzd is represented as having artfully induced Ahriman to agree to a further truce, in consequence of which the latter subsides into complete inactivity for three thousand years longer, during which time Ormuzd, with the assistance of his subordinate powers, proceeds to create the material world—first the heavens, then water, then the earth, then the trees, then cattle, and finally men. The earth is situated in the intermediate space between the kingdoms of light and darkness, and becomes ultimately the battle-field of the strife between the two powers. At the end of the three thousand years of inaction, Ahriman obtains a footing on the earth, and attempts to counteract the work of Ormuzd by producing creatures of a contrary kind, noxious animals and poisonous plants. He also led away from their allegiance the first pair of mankind, and inflicted upon them various evils, such as hunger, sleep, age, sickness, and death. This struggle between good and evil upon the earth is to continue for six thousand years, during which the lower order of the material creation, inanimate as well as animate, are good or evil of necessity, according to the source from which they spring.

Man alone has the power of choosing for himself the one side or the other, and partaking of good or evil, of reward or punishment, according to his choice.

In reading the above cosmogony it is impossible not to be struck with the resemblance of many of its details to the Mosaic narrative of the Creation and the Fall, notwithstanding the wide departure of its dualistic hypothesis from the pure monotheism of the Hebrew faith. . . . Whatever antiquity different critics may be disposed to ascribe to the oral traditions on which the religion of Zoroaster is based, it is admitted that the written records in which it is now contained cannot for the most part claim a higher antiquity than the rise of the Sassanid dynasty in the third century after Christ. How much of the earlier tradition is primitive, and what accretions it may have received in the course of time, it is impossible, in the absence of written documents, to decide with any certainty; but perhaps the different theories concerning the age of Zoroaster and the introduction of his religious system may be in some degree reconciled with each other, if we suppose a reformation of the religion to have taken place in the reign of Darius Hystaspis, a supposition which will help to conciliate the traditions of the antiquity of the first origin of the religion with the traces which it bears in its later form of the influence of the sacred books of the Hebrew captives. This suspicion receives some confirmation when we compare the Persian system with one to which in its original form it was probably nearly related—the religious philosophy of India.

(To be continued)

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**PARLIAMENT.** (Continued from page 3)

teaching the accused a lesson, or indeed for any purpose of punishment. It is a power which is given to justices for a wholly different purpose—for example, to make inquiries or to determine what is the most suitable method of dealing with the case.

House of Commons: June 6, 1951.

**Finance Bill—Committee**

Clause 13.—(CHARGE OF INCOME TAX FOR 1951-52.)

Motion made, and Question proposed, "That the Clause stand part of the Bill."

*Sir Arthur Salter* (Ormskirk): . . . I propose a little later to make some contributions to the kind of discussion I hope will take place on four aspects of this Clause: first, the hardships involved to certain classes of Individuals by Income Tax at the rate prescribed; second, the effect an Income Tax of this height has upon diminishing incentives to work and to produce more; third, the discouragement which it involves to risk—enterprise; and, fourth, I propose to say something about the relation of the proposed increase of tax in this Clause to the general problem of inflation.

There is, however, one preliminary observation I should like to make. I think it is very important in the discussion of Income Tax to consider the effect of the great rise in prices not only upon the taxable capacity of different citizens but upon the very structure of Income Tax itself. It is very easy, I think, to fall into what I may call the fallacy of fixed money reliefs with falling money values. I think the Chancellor and the Financial Secretary have fallen very heavily into that fallacy; and I will justify that statement by quotations in a few minutes' time.

The fact is that in the very first four lines of this Clause

pounds and shillings are used in two quite different ways and in two quite different senses. In the first place we are told that the standard rate of tax is to be 9s. 6d. in the £. That is a definition of a fraction, and that definition, of course, remains exactly the same whatever changes there may be in the value of the £. It is perfectly fair to say, without any qualification at all, when we are comparing the Income Tax rate of 4s. 9d. in the £ of 1947 with the 9s. 6d. rate of this present year, that the rate has doubled. That still remains equally true whatever changes have taken place, whatever changes may take place in the future, in the purchasing value of the £. But in the very next line the £ is used for quite a different purpose, in a quite different way. It is there stated that one begins to become a Surtax payer when one's income exceeds £2,000 a year.

In that case the £ is used as what economists call, I believe, a measure of value. That is quite a different thing, because that measure becomes defective in precise proportion to any changes in the purchasing value of the £. Unless we are very careful to remember the effect of this in fact or on the whole structure of Income Tax we shall, I think, get completely distorted views. I think that the Chancellor himself, whose statement otherwise was, in general, so lucid and so fair, gave a very wrong impression of the situation in regard to the reliefs now given, and, therefore, of the Income Tax positions after those reliefs have been given.

Let me justify that by a quotation. What did the right hon. Gentleman say on 10th April?

"Since 1945, Income Tax reliefs have been given by my predecessors which amount in all to more than £650 million. This figure represents the cost at the time the reliefs were given, but with the steady rise in national income which has occurred since then, they are today, on current income levels, worth about £1,000 million a year. With great regret I now feel bound to take back some part of this relief. . . . I propose to increase the three rates of Income Tax. . . . The married allowance will thus be higher than immediately before the war. . . ."—[OFFICIAL REPORT, 10th April, 1951; Vol. 486, c. 864.]

Purely in terms of the £, of course, all that is true, but how utterly misleading, how utterly inaccurate, it is in reality.

After all, why has the national income gone up so much as to turn £650 million into £1,000 million? Mainly because prices and incomes have gone up together. . . It is fantastic, I suggest, to describe the extent of the reliefs in the Income Tax, with the reliefs increased by the increase of prices, without any allowance whatever on the other side for the extent those reliefs have been reduced in the same period by the same process through rising prices. The description becomes even more absurd—it is reduced to the extreme of absurdity—when he says:

"The married allowance will thus be higher than immediately before the war."

Married allowance before the war was £180. The Chancellor has now raised it to £190 in terms of the £, but inasmuch as the £ of 1939 has become worth about 10s., inasmuch as since that period, by and large, prices and incomes have about doubled, the real fact is that the £180 person before the war, both in real economic status—in what he can buy—and also, indeed, in relative economic status—that is to say, in proportion to the total national income that he enjoys personally—has become the £360 person of today. If the Chancellor were in any real sense going to give a relief equal to—to say nothing of greater than—the married allowance of 1938-39 he would have to give an exemption of £360. I am not suggesting that in the circumstances he should do so, but

I do say that to speak of the married allowance in the context of the passage I have quoted as meaning that it is higher than it was before the war is really a deception—unintentional, of course, but a deception—and a rather cruel deception when we consider the classes of persons who are involved.

. . . So important is this point, I believe, to the whole consideration of this subject that I venture to quote a little further from the same Budget debate. The Financial Secretary said:

"We have, of course, since 1945 given reliefs in Income Tax which—I think this is a remarkable figure—if they were wholly reversed today would yield £1,000 million a year of revenue. That is not only the measure of relief we have given, but also shows the large reserves of taxable capacity which still exist against a real emergency."—[OFFICIAL REPORT, 12th April, 1951; Vol. 486, c. 1214.]

That is complete nonsense. It does not show the measure of taxable reserves. It does not, in itself, show any reserves of taxable capacity. It is merely playing with figures, playing with nomenclature. . . .

. . . With that in mind I propose to come to the four aspects of the problem to which I have referred earlier. In doing so, I do not propose to deal at length with the arguments I may put before the Committee. Indeed, they will hardly be arguments. My object is neither to inform hon. Members of important facts which are not already in their minds, nor to attempt to convince them of the error of opinions that may already be in their minds. My only object is to try to induce hon. Members to bring the knowledge and opinions that are in any case at the back of their minds into the forefront of their minds for the consideration of this Clause. . . .

. . . The first point to which I wish to refer is the hardship involved on citizens of our country by Income Tax rates at the height at which they are proposed in this Clause. I am concerned, not only with the increase of 6d. but with the total Income Tax as now increased, subject to the reliefs mentioned by the Chancellor, and subject also to the qualifications on those reliefs which I have already made. The Chancellor may have given the impression, by referring, for example, to married couples who only get some increase under the proposals when they reach something over £1,000 a year, that for the great bulk of the people, for all but a relatively small minority of the working class, his proposals involved no increase. That is very far from the case.

Let me give a few illustrations of the kind of hardships which are involved in taxation of this kind. A bachelor or spinster earning, say, £6 a week—which in terms of 1945, when the Labour Party took office, is equivalent to about £4 10s. a week—paid about £26 and will now pay about £30. The increase rises rapidly with every further rise in income. Indeed, for the bachelor or the spinster there is no new relief, and the Chancellor's increases operate right the way through.

Similarly, an elderly spinster living on an investment income of £300 a year has been paying £41 and will now pay £46. Again, there will be increases all the way through if her income is higher than that. Take, again, a married couple of 60 years of age living on an investment income of £300 a year, which, at present prices, is a very low income indeed. They will have to pay £24—a small increase on what they paid in the past, but an increase that will rise with any increase in income that such a couple may have. The increase rises all the way through from that point.

It is perfectly evident that, whatever be the cause and wherever the responsibility, these are very grave hardships, to which hon. Members on both sides can easily add instances of very many others that will be in their minds. Then, in order to show the scale in human terms, they can multiply them by the number of people involved in the different illustrations. The result will be to show that a very considerable number of people are suffering very grave hardship indeed, which is somewhat increased by the Chancellor's new proposals. Undoubtedly, if we think who are the people involved in these categories we must all realise that, wherever the responsibility may be, we are witnessing, if not the liquidation, at least the gradual but inexorable degradation—and degradation to a point at which the body is enfeebled and the spirit broken—of some of the classes upon which much of the prosperity and civilisation of this country has depended in the past. . . .

. . . I come next to the effect of Income Tax at this height as a result of a Budget of this size upon the incentives to work and production. Here the effect of the Chancellor's changes in Income Tax is comparatively small. The real trouble, as we all know, is the total effect of the Income Tax rate with its consequences that at a very modest point of income the rate payable on any marginal increases of income is a very powerful disincentive to a man working more and earning more. I will not develop that point because we all know it, and we all know, too, that there is no easy remedy to that situation.

There is no easy remedy in extending reliefs in such a way that this impediment would disappear, because with a Budget of this size it is quite impossible to dispense with revenue to the extent to which that would be required. Nor is there any easy remedy in exempting, say, overtime from taxation. We all know that the effect of trying to do that would be, in a very large measure indeed, to transfer work from one day to another, so that overtime would be earned without any greater total of work or production.

I want to develop a little further the effect of taxation of this size on risk and enterprise. I ask the Committee to think back to the time before the war and to recall how large a part of the progress and prosperity of this country was due to the category of people who were then £1,000 to £2,000 a year men—the leading officials in great industries and organisations or the people who started new enterprises at their own risk and with their own money, or the people who ventured their money in the form of equity and share capital in business and made to so large an extent the capital structure of industry an equity structure rather than a fixed obligation structure. In very large measure, the people from whom these enormous benefits to the economy of the country came were the people who were £1,000 to £2,000 a year men.

What have we now with the doubling of prices and income? The man who was then a £1,000 a year man is now just beginning to enter on Surtax, and the man who was then the £2,000 a year man is now reaching the point at which any further income will attract a 15s. in the £ rate of taxation. I would ask the Committee to consider what this is going to mean, first of all, in discouraging the ambition of the most crucial people in the great organisations of this country upon whom enterprise and expansion depend. What does it mean to a company which is trying to reward, recognise and use the exceptional ability of one of its branch people

living in the country? If they are to give so much extra salary as will give so much more net income, after taxation as to compensate him for coming from a part of the country where he has lived with greater amenities and less expense to, say, the head office in London, the cost is very great, as any one employed in the organisations of the great industries will recognise.

I want also to ask the Committee to consider what will be the effect of taxation of this kind upon people who would have been inclined to take a risk in developing a new enterprise, or, if they did not want to run one of their own, to take a bit of a risk in providing equity capital for industry rather than fixed obligation capital. If we are at a rate at which they are paying something like three-quarters of any additional income in taxation, what does it mean if they are considering whether they will take a risk? The country's interest really requires that if there is an opportunity for progress where the chances of profit are, let us say, double the risk of loss, that opportunity clearly ought to be seized, but in these circumstances it will not be seized if the prospects of profits are doubled or even trebled; they require to be fourfold.

In those circumstances we cannot expect that this country will hold its way in a changing world and in competition with other countries. In the same way, when it comes to a question of investment money, one of the most regrettable developments in the last 25 years or more is the constant tendency for equity capital in industry to be replaced by fixed obligation capital. The industrial system that depends wholly or almost wholly upon fixed obligation capital is a constipated system. When we look at the changing circumstances in the world and the changing fortunes of companies from one year to another, we cannot expect that we can have in our economy the flexibility that is absolutely essential if this progress is continued further.

Indeed a Budget of this kind and taxation at this height not only tends to replace equity capital by fixed obligation capital. It reduces the total savings of the country to a point at which the only resource open to the Government is, first of all, to counter the inflation which results when savings are less than the capital expenditure of the country by budgeting for a surplus. Secondly, as time goes on, the result must be a State capital system. If it is true that an economy depending on fixed obligation capital without equity shares is a constipated system, I think that a State capital system is a dying system—unless indeed it can be stimulated into some kind of activity by harsh penalties which are quite incompatible with a free society.

I want, lastly, to discuss for a few moments the relation between the taxation proposed in the Clause and the general problem of inflation. I am not going to be dogmatic as to what form of taxation is inflationary in its effect and what is not inflationary. The real fact is that it is quite impossible to attempt any scientific distinction that remains true and the same in all circumstances. What is undoubtedly true, however, is that the higher the rate of Income Tax the greater is the proportion of the inflationary as compared with the counter-inflationary results of that taxation. . . .

*Mr. Lyttelton:* . . . Naturally, little discussion is necessary about the methods of raising revenue through Income Tax, which is covered by this Clause. It is a traditional method, which has this one merit: it is levied on profits after they have been made and not, like Entertainments Duty and

rates, on profits before they are made. I wish to begin by discussing the effect of Income Tax at its present level on business and industry, and I will go on later to say something about its effect on the individual.

First of all, let me take the effect upon the prices at which we are able to offer our goods. Though this is not immediately affected by a rise in Income Tax, it is gravely affected at long term. The indirect effect of Income Tax at this crippling rate must be making it extremely difficult, if not impossible, for our business and industry to keep their plant and equipment in a modern enough condition to meet international competition from whatever source it comes. If that be true, it is all the more true that its chances of expanding become very small.

As an industrialist, I should like to add that it is completely repugnant to my ideas that we should ask the most highly skilled body of workmen in the world to work with anything but the best tools. At the present rates of tax, industry must lose sight of modern equipment, and the great expansion of industry and production which is the first necessity of our national life today will be impossible.

I now turn to a matter which is germane to the whole subject—namely, that Income Tax at 9s. 6d. in the £ accelerates the depletion of industrial capital at an unpardonable rate at a time when all concerned in these matters are deeply anxious, and at a time when we should be trying to build up further industrial capital to meet the finance necessitated by the higher prices we see all round.

I must at this moment refer to the subject of taxable capacity. My right hon. Friend the Member for Ormskirk (Sir A. Salter) demolished the arguments which have so far been produced by the Chancellor and the Financial Secretary and I want to confine my remarks on the subject of taxable resources to a practical issue. The £1,000 million which is claimed to be the taxable resources out of Income Tax would mean raising the standard to 10s., reducing the main income allowances from one-fifth to one-tenth, reducing the personal allowances for single persons from £110 to £80 and of married couples from £180 to £140, and children's allowances from £60 to £55. The hon. Member for The Wrekin (Mr. I. O. Thomas) will find the answer to many of his questions in those figures.

I should judge that that kind of thing is manifestly impossible in its entirety. The social consequences would be much too grave. Nor should the increase in Income Tax that we are discussing be judged in isolation. It has been estimated that the total amount to be raised in taxes direct and indirect and local, amounts to nearly £4,330 million this year, and it is well for the Chancellor to realise that cancellation of concessions to the lower paid earners and savers will provide the only source of any substantial revenue still remaining to the Government. That is not my submission; that is on the Government's own admission.

I want to say at the outset of my remarks that any hopes that are held out to the public—they frequently are—that we can, first of all, re-arm on the scale proposed; secondly, maintain our exports; thirdly, maintain the social services; and, fourthly, enjoy, or suffer—I offer hon. Gentlemen the choice of either word—our present standard of life, are hopes which are certain to prove false. . . .

*(To be continued).*