

THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

Vol. 30. No. 2.

Registered at G.P.O. as a Newspaper.
Postage: home 1½d. and abroad 1d.

SATURDAY, MARCH 7, 1953.

6d. Weekly.

C. H. Douglas

The Augustus John Portrait

The portrait of the late Major C. H. Douglas by Augustus John, bequeathed by the subject to the Walker Art Gallery, Liverpool, is now on view in gallery 11, where it could scarcely be better hung, from the point of view of both light and position. It looks very well.

Kenneth K. Forbes's "The Ear-Ring," presented by Mr. H. E. Young, J.P., in 1924 is to the left side of the painting as the observer stands, and, to the right, Algernon Newton's "Townscape," presented in 1935, and Sir W. Russell Flint's "Festival of Santa Eulalia, Andalusia," purchased in 1936, separate it from R. G. Eves's portrait of Thomas Hardy, lent by the Trustees of the Tate Gallery.

The Walker's other paintings by John, two in number, are in the same room: "A Scottish-Canadian Soldier," purchased in 1940, and "Two Jamaican Girls."

From Week to Week

From yesterday's date *Truth*, is to appear under a new managership and under a new editorship. It is now "A Staples Publication; Founded 1877." Mr. W. Collin Brooks, M.C., and Mr. A. K. Chesterton, M.C., will not henceforth participate in its production.

Announcing "A Change of Command," the front page of *Truth*, for February 27, revives recollection of the episode in the House of Commons when the late Josiah Wedgwood moved the adjournment in an attempt to have the paper suppressed on the grounds that its editor was "anti-Russian, anti-American, anti-Semitic and anti-Churchill."

Edmund Yates, editing the *World*, to which Henry Labouchere contributed, asked "Labby," when he left to found *Truth*, what sort of a paper it was to be. "Edmund, it will be a new and better *World*" was the reply. In this punning sense, there may be "a new and bigger *Truth*," which is, if you examine it, all that the front page of the last issue of the "old and smaller *Truth*," claims. The "new and bigger *Truth*," will be cheaper by a third of its former price.

The *World's Press News* (February 27) says Mr. Chesterton has responded to the invitation of an influential group to explore the possibility of starting a new "white weekly" when his work for the United Central Africa Association is completed.

Our attention has been drawn to a rather longer account than appeared in *The Times* of the address by Mr. Oliver Lyttelton, Colonial Secretary in the present administration, to the Conservative Society at the London School of Economics on February 23. This appeared in *The Scotsman* for the day following. The report is as follows:—

"Economic planning has been shown to be, in the sense in which the words were used, a great big bit of boloney.

"You cannot, in fact, have economic planning and in-

dividual freedom, and you have to choose between the two.

"To talk about economic planning in the sense that it is used and to discard direction of labour is the great hypocrisy. You cannot have one without the other."

It was better to secure that the lowest-paid people had enough money to buy a reasonable standard of life and a reasonable supply of the necessities, near necessities, and amenities of life, than to give them much less money and then sell the necessities "at an artificial or subsidised or covertly subsidised price."

It was right to have a graduated system of taxation, even in a free society, but not so as to kill ambition, enterprise, and saving.

The Minister said: "Liberty is the power to do what other people don't want you to do, and since this is impossible in almost any organised society, liberty is only a comparative matter.

"But let me say as a Conservative that liberty must be as wide as we can possibly make it and not as narrow as we can possibly tolerate it.

"The State must be the servant and not the master of its citizens."

Probably the largest overall economic factor in world economy was agricultural production and the largest factor in agricultural production was the incidence of rain, sun and pests.

"Rain and sun are beyond the control even of Left-wing planning Governments, pests slightly more controllable.

"Economic plans for the production of this or that which were made before the Korean war broke out, will prove to have been positively harmful."

Economic planning in the accepted sense of the term was "a will-o'-the-wisp."

The Conservative Government had used the traditional method, causing a disinflationary atmosphere in the market by raising the money rates.

One of the great merits of trying to regulate economic trends by use of the financial rather than the physical instrument, was that the former could be regulated by a handful of men.

"It does not require a horde of officials, a myriad forms, tons of paper, snoopers, questionnaires, sometimes of a most intimate description, and intrusion into the kitchens and the bedroom of every house in England, to carry out the policy."

The financial instrument would affect greatly the workings of the price mechanism, and the price mechanism would

(continued on page 8.)

PARLIAMENT

House of Commons: February 3, 1953.

Commonwealth Economic Conference

(Continued: Mr. Butler is speaking):

I will simply say that there was a general recognition by the Conference of the value of existing preferences, and it would be a great mistake to think that there was not; but, as will be seen from the final Communiqué, the representatives of other countries considered that a collective effort to secure general freedom from the operation of the "no new preference" rule would not advance the agreed objective of restoring multilateral world trade and the Conference was therefore unable to support it.

However, there was general understanding and, indeed, co-operation, with regard to the proposal to deal with the particular difficulties of the United Kingdom. In fact, if hon. Members look at the communiqué, they will see that it says that:

"All Commonwealth Governments agreed . . . to co-operate with the United Kingdom in an approach to the other contracting parties to the G.A.T.T. to meet particular difficulties arising on the United Kingdom tariff. The object would be to enable the United Kingdom, consistently with the basic provisions of the G.A.T.T., to continue duty-free entry for Commonwealth goods, notwithstanding any increases that might from time to time become necessary in duties designed to protect domestic industry and agriculture in the United Kingdom."

Mr. John Strachey (Dundee, West): . . . If I may begin with a positively blinding flash of the obvious, there are only two ways in which it can be done. The one is to get more dollars, the other is to spend less dollars. I shall not speak about the more attractive way of getting more dollars, which is to earn them by trade, by their being lent to us, or by any other way. Of course we all wish to do that to the maximum possible extent, but I think we should all agree that when we have done our utmost in the sphere of earning the maximum number, dollars will still be fairly scarce and, for as long ahead as we can see, there will be the necessity for economy in their use.

Therefore, it is to the issue of how we can economise in the number of dollars we spend and thereby prevent ourselves from running into a crisis again that I address my remarks. There are two ways in which we or any other member of the sterling area, or indeed the sterling area as a whole, can economise in the use of dollars. I want to contrast those two ways. I shall call them the financial way and the planning way, or, if you will, the socialist way. I shall overstate the contrast, for there is really a subtle interplay between the two and no Government or country could rely wholly on one or the other. However, it is important to see the contrast of the two ways.

To put it at its crudest, the financial way works by proceeding to limit the money incomes of our citizens to such a point that they will not be able to buy too many dollar goods. There is no doubt that if that can be done sufficiently one can sweep away any discriminations, import controls, exchange controls and the like, secure in the knowledge that our citizens will not overspend on dollar goods because they have been deprived of the means of doing so.

What is the objection we feel to that way—the deflation-

ary way to give it its obvious name? Our objection is a double one. It is an indiscriminating way of doing the job in two different senses. It is indiscriminating in that by this method one cannot concentrate our purchases of dollar goods on the essentials such as Canadian wheat to feed the people or American cotton to keep them in employment. . . .

. . . We object to the predominant use of that way because it is indiscriminating in the way I have just defined. One cannot concentrate purchases on the essentials. There will always be a margin of income in the hands of the better-off citizens, the high income brackets, who will make dollar purchases not of wheat and cotton but of Cadillacs and Packards. That may or may not be an important factor quantitatively, but it is an important factor psychologically, and that should be borne in mind.

There is a far more important indiscrimination in the financial way than that. If one takes the financial way, relying exclusively or even predominantly upon it, one has to cut the money incomes of the population down to the point where they cannot buy not only too many dollar goods but, *pari passu* and equally, where they cannot buy goods and services from the sterling area which possibly they could well afford; where they cannot buy adequate quantities of the goods and services which they themselves produce in the factories and on the farms in this country. That is the indiscrimination of the financial way to which we object most of all, because the deflationary method, if relied on predominantly, must have, and always has had whenever it has been tried, the effect of throwing out the baby of full employment with the bath of economic solvency.

Those are the essential objections, as it seems to every one of us on this side of the House, to predominant reliance on the financial way. What is the planning way of doing the same thing? Again, to put it at its simplest and crudest, under the planning way, in order to make dollar purchases, or acquire dollars for any other purpose, our citizens must first get the permission of the Treasury, or the Bank of England acting for the Government—and permits are only issued to the extent to which we can afford to pay for those dollar goods.

That is the way in which on the whole we have relied predominantly during the post-war years. Whatever its disadvantages may be, it has the great advantage that one can discriminate, can concentrate purchases on essentials and, what is far more important, can allow trade with the non-dollar world to go on undiminished. In other words, the ability to pay for dollar goods ceases to be the limiting factor of trade with the rest of the world and of the level of employment and industry. Therefore, I submit that Governments which have been in charge of this country since the war have, on the whole, relied on the planning method of controls to deal with the matter.

That is, after all, the method which is still in existence today. It involves, of course, a fairly complete control of what I call the foreign transactions of our citizens. There must be complete control, ideally, of the purchases from abroad of our citizens, of the import of goods, and of the export of money of our citizens—of their foreign transactions as a whole. That is still the method which is in existence in this country today.

The question which we want, surely, to ask the Chancellor, and which was asked him by my right hon. Friend,

comes down to this: Did or did not the Commonwealth Conference decide to depart from that method of using positive controls over the foreign transactions of British citizens and to embark on attempting to control the level of our dollar expenditure predominantly by the financial method? I was quite unable to detect from the Chancellor's speech whether he intended to change the emphasis from the one method to the other. I very much hope and trust that he does not mean to do so. . . .

. . . We were glad to hear that the hon. Member for Scarborough and Whitby (Mr. Spearman) is a convert to planning, upon which the whole structure of social democracy in this country rests. That is not simply my own opinion. I should like to quote certain words, not from a member of my party, but from a man who had as great a part as any other in the setting up during the last war of the planned economy. I refer to Sir Oliver Franks. I quote from his well-known lectures "Central planning and control in war and peace," which he gave at the end of the war and in which he discussed the question of whether we would go on with our planned system. This is how he put it:

"If the State gave general direction to the national economy through any general plans, these would have to include an import programme and an export programme. . . . If central planning and control were to become permanent features of the British economy, these in the first place would be the means by which they were effected."

He adds:

"Positive central planning . . . implies a deliberate and successful attempt to assert the control of reason over the march of events. That is the function of the general plan with its import and export programmes as cutting edges."

For a country as dependent as ours on its foreign transactions, Sir Oliver Franks goes to the root of the matter. He does so, at any rate, if he has in mind not only what he states in that passage—control of the import and export of goods—but also control of the import and export of money.

I am not unaware of the orthodox answer to all this. I think that the essence of it was put very well, as always, by Professor Robbins, for example, in the current issue of Lloyd's Bank Review, in which the gist of his article was that there must be some level of money incomes in this country, if we could only get down to it, which would bring our balance of trade with the United States into balance. I think that that is true; as a matter of pure economic theory I do not dispute it. . . .

The orthodox Professor Robbins, I think, would say, "Once you have done that, all this elaborate structure of controls and discriminations can be swept away." That is the real issue which I want to put to the House. I am convinced that that is not so. It is not the case in the present world and in present-day conditions that even when we have achieved a balance of trade between the sterling area and the dollar area, we could sweep way our system of controls and discriminations.

The reason for that is suggested very well in two phrases in those notable articles in "The Economist" entitled "Living With The Dollar," which, I am sure, we have all read, however much we may have disagreed with them. Those two articles have a phrase in them which is extremely revelatory. They talk about American foreign lending. They notice that

"After 1934 the United States began to import one billion dollars a year of foreign funk money."

That is "The Economist's" phrase, not mine. Speaking of the present situation, they go on to add:

"America's distance from Soviet Russia lends such powerful support to the attraction of the dollar for capital." That is the real issue here. We are in a world in which the balance of trade, which should more or less automatically bring a balance of payments in its train, would in practice do nothing of the sort. The balance of payments would continue to be completely distorted by the whole world situation, because it is much wider, of course, than the considerations which "The Economist" mentions. It is not merely the distance of America from the Soviet Union. Let us put it quite frankly and face it: it is the political distance of the United States from social democratic Britain also.

All the things which we have done—when I say "we" I include both sides of the House—in the last decade and a half in building up what I can only call British social democracy, the trade union strength founded on full employment, the high re-distributory taxation and high taxation in particular on profits, must of course, quite automatically, have a repellent effect upon capital. Other things being equal, it must have an effect of tending to move capital away from where a type of planned social democratic, relatively equalitarian society is being built up.

Therefore I am putting it to the House that it is on those considerations that the absolute incompatibility of the decontrol of foreign transactions arises. Who can really doubt that—to take the extreme case—if we sweep away all controls on the import of dollar goods to this country and into the sterling area as a whole, and all control of the export of money, whether on current account or on capital account, and restored completely the pre-war system, an ungovernable flood of money would go to the United States from the sterling area and the rest of the world? The resulting situation could not be controlled and our reserves would be exhausted in a few weeks. . . .

Mr. Robert Boothby (Aberdeenshire, East): . . . I agree with all the previous speakers in the debate that the Conference must be considered against the background of the dollar gap, which is the basic economic problem of our time. Nobody foresaw it. The assumption underlying the Bretton Woods Agreement was that there was an underlying economic equilibrium in the free world, which was only temporarily distorted by the war and which could easily and quickly be put right. Even Keynes said that the dollar shortage would be gone within a year or two after Bretton Woods. There is in fact no basic or underlying economic equilibrium in the free world. There was none then, there is none today, and I think it will be a long time before we get it. That, and practically every other assumption which governed the proceedings at that ill-fated conference, has been invalidated by events and proved wrong in practice.

There are one or two facts I wish to give the House about the problem of the dollar gap which are interesting and significant and not generally recognised. The first is that between the outbreak of the Second World War and 1951 production in the United States very nearly doubled, exports more than doubled—in some years they went up by 150 per cent.—but imports—and this is the significant point—never rose by more than 26 per cent. in spite of this

(continued on page 6.)

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This journal expresses and supports the policy of the Social Credit Secretariat, which is a non-party, non-class organisation neither connected with nor supporting any political party, Social Credit or otherwise.

SUBSCRIPTION RATES: *Home and abroad, post free:*
One year 30/-; Six months 15/-; Three months 7s. 6d.
 Offices: (Business) 7, VICTORIA STREET, LIVERPOOL, 2, Telephone: CENTRAL 8509; (Editorial) 49, PRINCE ALFRED ROAD, LIVERPOOL, 15, Telephone: SEFTon Park 435.

Vol. 30. No. 2.

Saturday, March 7, 1953.

Majorities

A Director of the Secretariat has received a letter from one of his correspondents saying:—"... 'Realistic Constitutionalism' I frequently read for pure enjoyment, as I do any of Douglas's works, but I could not define the 'simple argument,' as you put it, unless you use his own analogy of the coal and the factory. The blinding truth of the statement that the rules of the Universe transcend human thinking, are unalterable by human means, and need only be ascertained and obeyed, is something that must eventually be recognised by all... [reference 1]. However, there is one statement therein which I cannot reconcile without qualification, and I have not found a Social Crediter who disagrees with me, and that is the statement [reference 2] 'A majority is always wrong in its reasons,' etc. I would qualify that by 'nearly always,' but am willing to admit that I may be wrong. It is the following statement which seems to me demonstrably unsound [reference 3] 'and cannot therefore possibly be right.' Surely it is occasionally possible to reach the right remedy for the wrong reasons, unless one contends that the remedy is wrong if not derived from the right reasons—hardly an engineer's approach.

The last sentence of the above suggests that there may be some element of quibbling either about the point raised or about the possible lines of reply or both. That may be, but we do not think it should be. That is to say, we think the point is not at all academic, and that it should be grasped. If this is so, the references indicated in square brackets above should first of all be put straight: citations from Douglas have a habit of gaining currency in a mutilated form if precision is not insisted upon:—

Reference 1:—"I do not think we realise the extent to which Absolute Idealism, to use its technical name, has tintured thinking on this subject—that nothing exists outside the mind of the beholder and that, for instance, totalitarian Government only requires mass propaganda to be just as good and much easier, than any other variety. Put quite shortly, my main thesis is that this is not true; that the rules of the Universe transcend human thinking, and cannot, in the ordinary sense of the words, be altered, and therefore must be ascertained and obeyed."

References 2 and 3:—"It ought to be clear to any unprejudiced individual that a majority is *always* wrong in its *reasons* for a given situation, and cannot, therefore, possibly be right in its remedies, although a homogeneous, native-born majority is often instinctively right in its judgment of the *nature* of a situation."

Other passages not cited by the correspondent are relevant to his difficulty, for example:—

"We all know what happens if you put copper wires into a wrong relationship with a powerful electric current, and there is ample evidence to show that our ignorance or disdain of everything but materialism is causing a spiritual 'short-circuit.' The real British Constitution—not Professor Laski's—is an organism. The

Russian Constitution—attributed to the Fabian Society and Mr. Sydney Webb—is an organisation."

Also:—

"The locus of sovereignty over Common Law is not in the electorate, because Common Law did not derive from the electorate and indeed ante-dated any electorate in the modern sense. In the main, it derived from the Mediaeval Church, perhaps not directly, but from the climate of opinion which the Church disseminated."

We never met anyone who was more ready than Douglas to concede that Life does not proceed along straight lines, and therefore he was generally impatient of 'niceties' of phraseology which led, not into any veridical conclusion, but into some abstraction. The suggestion that all remedies must be wrong unless the reasons for any one of them is right would certainly not have much interest for him.

On the surface, the contention of the correspondent is that 'always' must be qualified because 'remedies' (happily for engineers) may sometimes be applied extra-reasonably—*i.e.*, not for some valid reason present in the mind of (for example) the engineer, unless as motive. But, while this is almost exactly what Douglas said (excepting the need for qualification), by admitting the engineer and majorities to the same class of agent, it effects at the same time exactly the "short-circuit" against which he protested. While engineers are restrained from excessive reliance upon irrational experiment (or quasi-rational experiment) by narrowly-based sanctions, majorities aren't. A "wrong" remedy is, of course, no remedy at all, and a "wrong" reason is no reason at all. Majorities are encouraged to condone experiment which is irrational to them, as such, because it is "remedial" (*i.e.*, *rational*) when viewed from the point of view of (some of) those to whom the causal relationship is perfectly clear. In other words they (the majorities) are exploited to effect a policy which is concealed from and therefore misinterpreted by the majorities. This brings the question to the level at which the abuse of the organic Constitution of which we are complaining is effected.

The perspective is completely restored if regard is paid to Douglas's own qualification, namely that constituted by "a homogeneous, native-born majority" which, he said, "is often right in its judgment of the *nature* of a situation." Turning from the individual (*e.g.* the engineer) to the mass (the 'majority'—a collectivity), over generations, perhaps many generations, *something* is elaborated from complex, hidden, convergent ingredients—elaborated, ceaselessly expressed, tested, combated, triumphant: a "climate." In this climate, organic growth is possible. The Common Law is the result. Rather than to seek to establish even a partial success for any other mechanism for the elaboration of stable Law, it might be wiser to say that not only are majorities incapable of truly rational invention of remedies, but the same incapacity extends to individuals. The durable part of Statute Law is that part upon which the forces which give rise to Common Law have exerted their full effect—that it is after the event, not before, is merely a formal accident.

These matters are not of merely academic importance to us. The pursuing vengeance of history will bring to naught any movement which fails to discriminate between true and false principles. Abroad and at home, the Social Credit movement confronts that danger. It is said that a minority of us who have never disengaged ourselves from the false axioms of party-ism are at present trying to raise £2,500 a year to advance their cause. It ought to be easy. We can do nothing to stop it.

World Affairs (I)

By NORMAN WEBB.

"Few discoveries are more irritating than those which expose the pedigree of ideas." (Lord Acton).

Contemporary society has never had any patience with Social Credit and its irritating exposure of the genealogy of Socialism. In its British form, of course, this may be expressed as out of Liberalism, by the Bank of England, *i.e.*, Judao-Dutch Finance. It is the instinctive avoidance of this irritation (in the first encounter like the sting of a nettle or a jelly-fish) which leads the contemporary Liberal deliberately to ignore the facts of his origin, as Lord Acton so quaintly puts it, and to resent any attempt to remind him of it. (We are all Liberals today; few of us would admit to being out-and-out Communists or Conservatives; the Tories are gone, and Socialists are only Liberals in a hurry.) But this attempted avoidance of discomfort and irritation brings far worse in its train. No one can deliberately avoid Truth (facts) for long with impunity, largely because the mere effort to do so distorts the judgment.

This brings me back to the question which lay at the back of my mind while I was reading Professor Keeton's *The Passing of Parliament*, recently reviewed in these pages. For anyone who has studied and accepted Douglas it is quite impossible to read a book so clear, and sane, and healthy in spirit, without speculating as to how the obvious conclusion as to the origin of so many, if not all, of the problems and abuses with which it deals, has escaped the author. The sad thing about it, from the Social Credit point of view at least (one could hardly expect Professor Keeton to agree about this) is that what might have been a great and positive blow delivered on the side of British Constitution Law and its preservation, is reduced by this strange obliquity of vision, to a mere, if well-expressed, indictment of our times. Failing the conclusions obvious to Social Crediters, that is all it is; albeit a warning not lightly, nor likely, to be entirely ignored at Westminster. For it is the words of an expert on our English Law,—an achievement as distinct from Roman Law as the style of Westminster Abbey is from St. Peter's, and as worthy of national pride as our Tudor architecture,—analysing and describing its preternaturally rapid disintegration, more especially in the last fifty years or so. What Professor Keeton discloses in the way of growing legal chaos and arbitrary administrative injustice is positively shocking; even to a reader of this paper, whom Douglas never allowed to forget what was going on. We who study economics by the light of Social Credit have perforce come to see the world as a perverse economic mess. Though in a sense we recognise the legal situation must be equally so, it is nevertheless a shock to be shown so clearly the extent of the mess; which must apply equally to Medicine, since the lawless State stepped in between the doctor and his patient. And, above all, there is Education!

Surely here are grounds enough at least for individual enquiry, since the indications in each case, would appear to point in the same direction. Yet there has been practically no move made, particularly where it might have been expected, among the university-trained intelligentsia, who

may be said to specialise in analysis. Writers like Professors Keeton and Hayek, each in his own speciality, condemn the trend of things, the incidence of which, if we can judge from what they write, is precisely the same in each, quite different case. Philosophers lament, and statesmen deplore, and decent citizens all the world over protest hotly. But where is the focus for this vast volume of indignation? A kindly outsider might suggest that in our case in Great Britain, it is merely a reflection of the mental attitude of a ship-wrecked crew, in a state of slight, if understandable panic. But that would not be correct, for there is every bit as much of this sort of outraged protest going on in other countries quite differently situated,—in the United States, for instance, which is assumed to be on the up-grade to pinnacles of national grandeur and international influence never before imagined—as in this country which, it is charitably accepted across the Atlantic, is on her way out after a minor, if creditable, effort at the same sort of thing.

It is unlikely there was ever an age when there was so much vocal indignation about, as it were, waiting to settle at some specific point. With whom, or with what are we all so indignant? Has some one something—Nature, God—broken a pledge to society? We have practically ceased to believe in pledges these days, so that would hardly furnish sufficient reason for being so indignant. Has Western Civilisation then, been duped or misled? Can it be over this Kingdom, the Kingdom of Heaven? But who believes in Heaven? Modern, so-called scientific education has surely shewn us something more practical than that? Has our political party let us down? Nearly, but not quite; we still have some shreds of belief left, at least in the philosophic background of our political views.

In that case, since our only remaining faith is in the power of the Party, it must be our political, or ideological opponent who is the cause of the outrageous state of World Affairs and the focus of our condemnation, and it is with him that we must deal if we want things to improve. That is the logical, though not very helpful, conclusion of that line of thought; for though it may seem to indicate who is responsible for the mess (and do not forget that it is the same conclusion on the part of our political opponent, that whispers the same story in his ear regarding ourselves) it does not enlighten us as to what he is doing wrong—other than being himself, of course,—nor give any indication as to what we should do. If, however, we insist on assuming the purity of lineage of our own political ideas, without subjecting them to any real scrutiny, we can't expect anything more. On this point, of our last remaining Christian belief—the political integrity of our party, Conservative, Liberal, Labour—it is obvious that Professor Keeton's book is not encouraging. For he very correctly points out that in the face of the historical record there is really no evidence for pinning primary responsibility for the wanton and deliberate break-up of the British Constitution and Empire on any one political party. All have sinned, almost equally, and the electorate, if it is wise, can accept nothing from any of them short of a practical repentance; that is, if it thinks our Constitution and the sovereign powers of Queen, Lords and Commons should not have been abandoned at the dictation of some extra-national force as yet unspecified, at least without an appeal to the nation.

To include all the major parties in the responsibility for

our present tribulations, we need carry our minds no further back than the first decade of the present century, and the vindictive un-Christian enactments of the Liberals, including Death Duties, that were carried through after 1905 with the aid of their new, sharp instrument, the rising Welsh solicitor, Lloyd George. Where has the fine principle of Liberal British tolerance gone? A Welsh Chancellor, with the Bank of England behind him, made mince-meat of it! But it was from Neville Chamberlain, slow, conscientious, a traditional Tory, representing, and perhaps not so untruly, Birmingham always the most doctrinaire and active Left Wing city in Great Britain—it was Chamberlain, in his Finance Act of 1936 (one of the darkest and most obscure periods in the history of this country) from whom we first got that essentially un-Christian negation of all principle, retrospective legislation, now common practice, particularly in financial legislation. Since the end of the second World War this essentially Soviet-like form of legislation has been eagerly seized on by trainees of the London School of Economics, such as Mr. Gaitskell, gleefully set on stripping the country to the bleak pattern of their own little minds. But who is there to denounce them? Not the Conservatives, after Mr. Chamberlain's deadly blow at the Constitution! Not the Liberals, after the Prussian-inspired depredations of their Welsh importation!

The truth of the matter is that as long as we keep the real intention and the true genealogical origin of the ideas behind the terms Socialism, or Communism, or Liberalism, or Conservatism, to the superficial level of party labels, and refuse to probe into their pedigrees, we shall get so far but no further in the direction of the truth than uselessly leaves each party at liberty to blame the other for the present glaring abuses, anti-Constitutional, anti-British, anti-Christian, that abound and increase rapidly all round us. If the occult and underhand disintegration of what has been so hardly won in the way of individual freedom under the law by our ancestors, is a crime—and I am sure Mr. Keeton feels it is;—then it is plain that the indulgence of mutual party abuse on that ideological plane, a continuance of the present party-political game at the behest of outside forces, can have no useful outcome at home, and in the international field may have a very negative one epitomised by atomic war.

What we seek to rise above and condemn as Socialism, is emphatically not a monopoly of the Labour Party or the readers of the *Daily Worker*. If further proof of that was needed Mr. Keeton's book supplies ample. Socialism,—what the better elements all over the country are beginning to mean by the term,—is an underground seepage, a slow process of adulteration of the pure strain of British politics, by a subtle course of cross-fertilisation with an alien philosophical pollen. There was nothing essentially incompatible between Liberalism, with its wider, less insular outlook, and British Imperialism. The incompatibility only began when the Liberal Party, at the beginning of this century fell completely under the spell of the Bank of England brand of Internationalism, which regarded British Imperialism as its one serious rival to World Hegemony on its own pattern. There have always been signs that the Liberals did not altogether relish their function as Little Englanders. Some of them at least were not ignorant of the source of the

pressure. It was Gladstone himself who complained, "From the time I took office as Chancellor, I began to learn that the state held, in the face of the Bank of England and the City, an essentially false position. . . . The Government itself was not to be a substantive power in matters of finance, but was to leave the Money Power supreme and unquestioned." It may well have been that the Liberals—some of them—were not altogether reluctant when the time came to pass their role of City henchmen on to the newly-risen Labour Party, with their mouths open and watering to get at the Egyptians and despoil them. When, one wonders, will the British Labour Party have had enough of their degrading role? And to whom does the cloak pass then? Is it inconceivable that the decent elements of all British party politics might be found to unite against the common enemy of all. Nothing short of the realisation of the truth and philosophy of Douglas's writings could bring about such a unity.

PARLIAMENT—

(continued from page 3).

gigantic increase in production and exports. That should give us food for thought. Since the war we have had more than £2,000 million worth of dollar aid in one form or another. Most of this—I think it is a fact with which the House is not generally acquainted, because it is not often said—has gone to the Dominions.

Between 1947 and 1952 the United Kingdom deficit was 600 million dollars, and this was covered by borrowing from the Colonial Empire. During that period the external deficit of the Dominions was 2,500 million dollars. This was also covered by colonial borrowing and by United States aid, of which they took five-sixths. These figures are extremely important. I have carefully checked them. It is against the background of these figures that the Conference was held.

I turn to the Conference itself. I have been through the conclusions pretty carefully, and there are five important ones. I will enumerate them quickly. The first says that no discriminatory bloc is to be formed. It sounds as if a discriminatory bloc was a very shocking thing. But in truth we have not practised discrimination just, as the Americans would say, "for the hell of it," but because we did not have the dollars to buy the things we wanted to buy. There is no other reason. In passing, I should just like to ask what is the United States of America if it is not a discriminatory bloc, but that is perhaps another matter. I do not think that in itself the term "discriminatory bloc" should be used as something repellent, terrible and horrible, something to be got out of the light. It is not in itself a shocking thing; it is a fact imposed by events and realities.

The second point is that there was no agreement to seek an amendment of the restrictive Clauses of G.A.T.T. Therefore, there can be no extension of Imperial Preference. Indeed the Chancellor told us today we are no longer to be allowed even to use the word "Imperial," it must be just "preference" in future. I think that is a pity, because preferential tariffs are the easiest and most flexible form of discrimination. We shall be bound to discriminate to some extent against the dollar area for many years to come. This decision was not the fault of the Chancellor of the Exchequer or of Her Majesty's Government; he pressed the idea as

strongly as he possibly could, but the Dominions rejected it.

The alternative to Imperial Preference is the kind of control advocated by the right hon. Member for Dundee, West. I regret this lack of agreement about the restrictive clauses of G.A.T.T. because it removes from our hand a weapon for flexible discrimination which would, in my opinion, have been infinitely preferable to the rigid controls so dear to the heart of the right hon. Gentleman. Further, there is to be no Commonwealth bank or Investment Board. I regret that.

I come to the point dealt with exhaustively by the right hon. Member for Leeds, South. There is to be no permanent machinery to co-ordinate the policies of the sterling area countries, or to limit their joint dollar expenditure to the level of their joint dollar earnings. Here again I believe that the Chancellor did press for some more permanent kind of machinery, even if it was only a secretariat. Again I think it was the Dominions who objected to it.

Finally, I come to the proposal to creating:

"by progressive stages and within reasonable time . . . an effective multilateral trade and payments system covering the widest possible area."

That is pretty good, but the area itself is not defined, it is not even indicated. Does it include the dollar area or not? That seems to me to be of the highest importance. We are not told in the communiqué. It would not be altogether unfair to sum up the results of this Conference in a single sentence—"Let us all try to behave better, and then go to Washington." That is really not unfair, although it is perhaps a little terse. Roughly speaking, however, that is what they did decide to do. I think they will try to behave better; and I think they will go to Washington.

It means, of course, that the attempt to build an economic unit in the free world capable of standing on its own feet and restoring equilibrium and balance by its own efforts has for the time being been abandoned, not by the wish of Her Majesty's Government, but by the wish of the nations of the Commonwealth gathered in Conference in London. I regret that; I must do so. It is the negation of the policy which I have been advocating in the House for the last 25 years, so I am bound to feel slightly disappointed. However, if one has a policy which is rejected one has immediately to look for an alternative; and take as rosy and optimistic a view as one can. I propose to consider an alternative, saying only that I think that a system which denies all defence against the instabilities of an economy as dynamic as that of the United States, and so far out of proportion to our own, is a dangerous system.

Various Members have pointed out the effect on this country of the slightest change in the United States economy, and indeed upon Europe as a whole. We cannot altogether forget that in 1949, when a temporary fall in output of only 5 per cent.—caused in the main by not much more than a levelling of the books—imposed a devaluation of 30 per cent. upon this country, and upon Europe. Just conceive what a recession in the United States could do to us, if it really got under way. At the moment we have practically no defences.

The other thing which is rather alarming is the steadily increasing economic dependence of the remainder of the free world upon the United States. I think it aggravates them

as much it does us. I am sorry about it and I am sorry that a more constructive drive was not agreed upon to see if we could produce more, and make more of the sterling area as a whole, to help us to re-establish an economic balance in the world, so that we could look the dollar in the face. I do not wish it to be thought that I am making any party point. But I want to repeat that I do not think the Chancellor of the Exchequer or Her Majesty's Government were in any way to blame. I think they put forward the right policies and advocated them very strongly, including some permanent machinery for the sterling area and everything else. It was the Dominions who rejected them; and I say that the Dominions are still very interested in dollars. I must also say that when one sees them—and I saw one or two the other day—they are a most engaging sight.

I said just now that we must make the best of it. I must however beg the Government, if they are going into this conference—and clearly they are—not to repeat the mistakes of Bretton Woods. A radical reconsideration of the optimistic assumptions upon which all our post-war economic plans were based at Bretton Woods, and later, has long been overdue. From that point of view, nothing but good can come from the conference in the United States, provided we have really learned the lessons of the last seven years, and seize the opportunity to drive them home, and do not get led up the garden path again.

I have made many mistakes in this House, but I have not always been wrong. Without boasting at all, I must remind hon. Members that I did oppose the first American loan on the ground that we could not carry out the terms, and we did not carry them out. I opposed the Bretton Woods Agreement on the ground that it would not work, and it has not worked. Finally, I opposed very strongly convertibility in 1947 on the ground that it would not last, and it did not last—it lasted, in fact, for only five weeks. So if I may, I would like to read six lessons to the right hon. Gentleman before he goes into this conference, lessons which I believe have to be learned as a result of the events of the last seven years. If nobody pays any attention to them, at least they will be on record; and then I can quote them again to the House in the year 1963.

The first lesson is that the illiquidity of the free world outside the dollar area is the primary cause of the recurrent economic crises that afflict us. It is the lack of gold and dollars everywhere except in the United States which is at the root of all our troubles. The second lesson is: an increase in world trade can only take place concurrently with an increase in world currency reserves. The theoretical price paid at Bretton Woods for fixed exchange rates was adequate gold and dollar reserves. They were not, in fact, provided; and that has been the real cause of the trouble.

The third lesson—and here we come to what was said by the right hon. Member for Leeds, South, and I think that what he said about convertibility was quite sensible—convertibility is not an end in itself. Nor is it a cure for anything. Convertibility is the outcome of conditions which have produced, first, a balance of trade, and, second, adequate reserves. Those conditions do not at present exist. When they do we shall have convertibility. There really cannot be any dispute about this; and therefore I do not think there is any real danger of a convertibility bomb being

sprung upon us because we cannot contemplate it until our reserves are three or four times the size they are now.

The fourth lesson is—and this is the point raised specifically by the right hon. Member for Dundee, West—that the dollar gap, now running at the rate of five billion a year, and which could easily be increased if there was a recession in the United States, could be closed by deflation. But that would be quite intolerable, and therefore it is not a method which either side will use. It would involve at least a million unemployed and great misery and no real good would be done in the long run, because it is not the right answer. Equally, I think, we have to bear in mind that it cannot be closed—not a gap of this size—by an increase in exports to the United States alone. I have said this so often that I am not going to repeat it. Let us go on concentrating on tweeds and whisky, but do not let us think we are going to export manufactured goods in vast quantities to the United States, because there is one simple objection to that—they do not want them.

I come to the fifth lesson, and I have nearly finished. I apologise for the time I have taken, but they are good lessons. Free multilateral trade, unco-ordinated monetary policies, non-discrimination and fixed exchange rates cannot be made to mix. If and when we do get convertibility I am absolutely convinced that we must have swinging exchange rates, within certain limits, to allow the necessary degree of flexibility. The fact is that the fixed exchange rates established at Bretton Woods, and non-discrimination can never be made to work.

My final lesson is this. Obviously an international payments system is in the wind, and not what was said by the right hon. Gentleman for Leeds, South. There must be some scheme which envisages the possibility of a new international payments system to supplant the one created at Bretton Woods which has completely broken down. If any international payments system is going to work it must provide adequate reserves—which Bretton Woods did not do—and it must also put equal obligations upon creditor as well as debtor nations. Under any such scheme central banks must be prepared not only to co-ordinate credit policies, but also to hold a very large part of their currency reserves in the form of deposits in the international clearing union. There is no hope of any international clearing system working unless these points are borne in mind. That is all I want to say, and that is the end of the sixth lesson.

I conclude, therefore, on a note of hope—I hope. I have been a little despondent. I could hardly help being so today, because, through no fault of his own, the Chancellor of the Exchequer did jettison a lot of my most cherished hopes and dreams in a comparatively short space of time. But there is a note of hope to be struck, and it is this. Whatever happens at the forthcoming conference, whether it succeeds or fails, I am sure the most vital things to be done by this country are, first, that there must be an increase in production at home, and second, a much more intensive development of the Colonial Empire overseas.

... We all forget that Britain and the Colonial Empire together have never been in a serious deficit to the dollar area since the war. Together we have been able to balance our trade. As a matter of fact, West Africa and Malaya have largely financed the sterling area. They will not go on doing that for ever.

Therefore, if the Dominions will not play to any great extent in the economic field—let us stick to them like glue in the political field—let us get cracking with the Colonial Empire. I believe that we can do tremendous things. There is no permanent defence for this Island against the winds of competition which are rising from Germany, the United States and Japan. Our economic survival depends, ultimately upon our productivity, our efficiency and our supplies of raw materials from our own Empire. Fortunately the Empire depends very largely upon our markets so that this is a reciprocal business.

Production is stationery at the moment in this country, and so to a very large extent is labour. If the preservation of the existing structure of industry, and of jobs people are already doing, becomes the primary objective of our domestic economic policy, then I believe that sooner or later we shall be sunk.

To increase exports by repressing industrial development at home is a policy of desperation. But industrial development no less than economic development demands massive capital investment, and this in turn demands savings. This is a wide theme and I certainly will not embark on it now beyond saying that it alarms me to think that there is no man in this country today who can really save out of earnings. I am sure that in the long run that is bad. Something must be done about it.

So my conclusion is quite unoriginal. It is simply that if we want to achieve economic independence and retain our standard of living we have to develop the Empire—and that means having an export surplus of not less than £400 million a year—on a far more extensive scale than we have been doing. We have also to produce more coal, more steel, more capital goods and, above all, more food.

Coronation Visitors

Overseas Social Crediters visiting England this year are asked to write to the Social Credit Secretariat at 49, Prince Alfred Road, Liverpool, 15, if they desire to make contact with its personnel during their stay. Arrangement can then be made for them to do so without uncertainty.

FROM WEEK TO WEEK (Continued from page 1)

adjust the priorities. The phrase "rationing by the purse" was clever propaganda, but there was and always would be rationing by the purse. A man with a wife and four children cannot afford as many cigarettes as a man and his wife with no children."

Mr. Lyttelton summed up: "Within limits, the one real freedom is freedom of choice."

Once or twice, Mr. Lyttelton's remarks about the incompatibility of individual freedom and a planned economy were interrupted by laughter, by good-natured groans, even by what sounded like soft hisses from the back of the hall. He grinned.

Afterwards, Mr. Lyttelton answered questions.

So much for the report. If "a handful of men" can do so much with the price-system (only a system), what can they not do with it?