THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

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Anglo-Arab Relations*

The following statement was issued to the Press by the Arab Office, London, dated July 13, 1948.

1. At this supreme crisis in Arab affairs and in the long history of Anglo-Arab relations, the Arab Office, London, would be failing in its task if it did not make plain to the British beyond any doubt the present attitude of the Arab peoples as well as the full implications of the policy which the Western Powers are trying to force on the Arab States.

2. First, the Arab peoples today see themselves being blackmailed by a campaign of tremendous diplomatic pressure from the West whose object is to coerce them into accepting a Jewish state in Palestine, and they see Britain taking the leading part in this campaign and using every kind of sanction she has it in her power to apply short of military force to compel their acquiescence. Thus Britain, who is directly responsible for the establishment of the Jewish national home in Palestine but who when she embarked on that venture and repeatedly afterwards pledged her word to the Arabs that the national home was not to be a national state and that the rights and ultimate position of the Arabs as the indigenous people of Palestine would be fully safeguarded, is now telling the Arabs that unless they surrender their position in Palestine and accept a Jewish state she will side with their opponents in trying to force it upon them. She is telling them this after having time and time again declared during the last few months and years that she would neither enforce partition against the Arabs nor take part in any international attempt to do so. The Arabs cannot see that there is any difference between what Britain said she would not do and what she is doing at this very moment. It seems to the Arabs that by laying down the Mandate and withdrawing her troops from Palestine, Britain was merely divesting herself of a direct responsibility to enforce partition in order that she should be all the freer to enforce it or participate in enforcing it indirectly. To the Arabs it appears as though Britain had surrendered completely to the American point of view and to the conspiracy of technical manoeuvring initiated through the United Nations to place the Arabs in the wrong and expose them to international action if they resisted the establishment of a Jewish state. Confronted with this position, the Arabs feel that the net and final result of Britain's entire policy and every action she has taken in the course of the last few years has been to put them in a position in which they must either submit or be compelled to do so by international action in which she will take part.

3. The British Government and the entire British press, who are so insistently pressing the Arab Governments to accept a Jewish state as being inevitable, believe apparently that if the Arab States did so there would be an end of the Palestine problem and of trouble in the Middle East. This is a most mistaken and dangerous illusion. If the attempt to force the Arab Governments to accept a Jewish state in Palestine were to succeed, the result would be not the ending of a problem and the establishment of tranquillity in the Middle East but a disastrous and widespread explosion throughout the region and the collapse of the present set-up in the Arab countries which, despite certain appearances, is fundamentally favourable to the West, and which if it passed away would be succeeded by new forces and new policies from which the Western world would have nothing agreeable to expect. Britain would thus have torpedoed with her own hands all the foundations and all the results of the policy which she has been developing for over thirty years in the Middle East.

4. During the last few days sensational reports of Jewish military successes in the renewed fighting in Palestine have been appearing in the British press as if to heighten the impression of Arab importance and justify the insistent demand for Arab submission. These reports do not seem to present a faithful picture of what has happened. The more important of the Jewish claims quoted in them have been officially denied by the Arab authorities. It should be borne in mind that extravagant military claims often form part of a campaign of political pressure.

* The text of an Information circulated by the Social Credit Secretariat on July 17 follows the statement.

A Letter to Lambeth

His Grace the Archbishop of Canterbury has received and has noted the contents of the letter of which the following is a copy:—

"Social Credit Secretariat,
"July 15, 1948.

"The Secretary to the Lambeth Conference,
"Lambeth Palace,
"London, S.W. 1.
"Dear Sir,

"I have to ask officially, on behalf of the Social Credit Secretariat, that the attention of the Lambeth Conference now sitting be drawn to the grave statement issued to the Press on Tuesday night by the Arab Office in London.

"A copy of the full text of the document as received by us from the Arab Office is enclosed herewith.

"The statement contains reflections of the gravest character on the ethics of British policy in Palestine. These are eminently fundamental matters of Natural Law, and, as such, affecting the conduct of National affairs, we do not see that they can be allowed to pass without consideration and comment by your Conference, unless it is willing to sacrifice its claim to attention in a sphere which is specially its own.

"Yours faithfully,
"TUDOR JONES,
"Deputy Chairman, Social Credit Secretariat."

Extracts from the statement issued by the Arab Office were published prominently by the *Daily Telegraph* on the morning of July 14. The address of the Arab Office is 92, Eaton Place, London, S.W. 1.

PARLIAMENT

House of Commons: July 5, 1948.

European Economic Co-operation

(*The Debate continued*)

Mr. Norman Smith (Nottingham, South): . . . The only constructive suggestion made by the right hon. Member for Aldershot was that Americans should be given every opportunity to invest their capital in this country and in its Colonies.—[An HON. MEMBER: "To exploit us."] What he does not understand is that the facts of geography, which have made America independent of the rest of the world, prevent America from carrying out a policy of overseas investment on a scale sufficient to overcome the dollar shortage in the rest of the world. In the 19th century, when this country occupied the position of economic primacy, there was no sterling shortage in the world because this country was able to undertake a very large and comprehensive policy of overseas investment, and we were able to do so because the facts of geography rendered us dependent on the rest of the world for a supply of raw materials and foodstuffs, for which reason we were able to take interest payments from other countries.

We were able to do more than that. We were able to stand very substantial losses on our overseas investments, whereby our overseas investments became, in fact, not loans but gifts. That puts the right hon. Gentleman the Member for Aldershot wrong when he says there is no precedent whatever for what America has done by way of making substantial gifts to the rest of the world. There is such precedent. Before 1914, Great Britain gave away at least £2,000 million of capital goods to the rest of the world. That, on comparable prices and values might fairly be compared with Marshal Aid today.

I will deal with the right hon. and gallant Member for the Scottish Universities. He agrees that America, in the world in which we find ourselves, must, in fact, indulge in a tremendous policy of "give-away" economics. This is what the right hon. and gallant Gentleman wrote in the London *Evening Standard* of September 30, 1943. With your permission, Sir, I will read the quotation, which is very short:

> "After the war the output of the U.S.A. will be one-third higher than it was at the tip-top of the boom levels of the last year in peace. All that new output as well as the old will have to be set running along the channels of peace. A new United States, one-third the size of the present, all market, will be needed to soak up this great output—and that in a year and a half or less. You will never handle that vast problem by foreign trade. Give it away—yes! Lease-lend—yes, if neither lease nor lend means what it says. Long-term credit—yes, again, if the word does not mean what it says, for this is to be a credit which must bring neither debit nor audit. Free Trade is no remedy. It is only the internal market that will be able to engulf goods and services at the rate which post-war machines can deliver."

Lieut.-Colonel Elliot (Scottish Universities): Does not the hon. Member realise that is saying that, if the United States uses that material at home, it can all be absorbed? Everybody knows that, and that is what the United States are voluntarily renouncing at the present time.

Mr. Smith: Everybody knows no such thing.

Lieut.-Colonel Elliot: The hon. Member must not call me as a witness, because I deny the interpretation which he puts upon my words.

Mr. Smith: . . . For the United States it would be neither simple nor easy to give away at home the surplus involved, and for this reason. Mr. Hoffman said the other day, "We in the United States believe our economic system to be the best the world has ever known." That is the economic system of capitalism. The industrial potential of the United States is so tremendous that if the United States were to contemplate giving away to her own population anything like the production of which that country is capable, the standard of living of the American people would be raised to such a tremendous degree that capitalism would break down for the excellent reason that the workmen would no longer have any incentive to toil for any employer. . . .

. . . I submit that the whole idea behind this Marshall arrangement is this. The Americans appear to believe that by 1952 or thereabouts Europe will have got back to what the Americans deem to be a normal conditions of things, namely, that Europe will be able by her own efforts to earn all the dollars she wants. I submit that, owing to the facts of geography, that is not true. Britain in the 19th century could take imports because geography denied to us the things which we needed.

I submit that by 1952, no matter how successful Marshall Aid will be, the countries of Europe, including our own, will be able to balance their overseas trade accounts, if at all, only by exercising the utmost economy and the most superlative parsimony in spending such dollars as they may be able to earn. When the aid programme is completed, there will still be a dollar shortage. Indeed, according to geography, the dollar shortage must of necessity last for ever. That being the case, it is surely the duty of this country to plan its economy in such a way as to arrange that, so soon as may be, Great Britain, the Dominions and the Colonies shall be independent of dollar supplies. If we are to do that, we cannot at one and the same time observe the conditions which are imposed upon us by this Marshall Aid.

All the more true is it because, as my right hon, and learned Friend disclosed to the House today, roughly a quarter of the entire aid available to Europe is to be by way of loan. If we are going to incur a Marshall loan over the next four or five years up to about 1952, we shall have to find £40 million or £50 million worth of dollars per annum for Keynes and Marshall interest, over and above what is necessary to find by way of dollars for current trading. There is not an hon. Member of this House who honestly believes in his heart that it can be done. It cannot be done. The dollar shortage is perpetual, for which reason, a multilateral economy based on convertible currencies is necessarily chimerical.

This penetration of the British Colonial Empire by the United States is the key to the entire Agreement. The letter on page 13 proves that. That letter—as, indeed, my right hon. and learned Friend was most scrupulous to inform the House—means in effect that if, for any reason, some important British Colonies do not come in, the entire deal is off. The whole idea of our long-term colonial development should be to render us independent of the dollar economy. Instead of that, we are subordinating our colonial development to America's need instead of giving primacy to our own. It is all very well to say that our reasonable requirements will be allowed for. But who will define reasonable requirements? The definition will be done in Washington and not in London—in all probability, by a Republican administration backed by a Republican Congress.

. . . what is to be the effect on the Dominions on this business of colonial stockpiling and American penetration into our Colonies? Once—as we must under this Agreement—we subordinate our own economy and that of our Colonial Empire to the economy of the United States. we leave the Dominions, economically speaking, up in the air. They will have no option but to subordinate their own, with the result that it is no longer practical for us to think in terms of the policy we ought to be thinking in terms of—creating a viable economy to comprise not only this country, the Dominions, and the nations of Western Europe, but also their respective colonies. Under this business of Marshall Aid, the terms and conditions are harsh and unconscionable and would have the effect of diverting the whole of our economy.

I am alarmed of the financial strings attached to this. Who could be anything but alarmed? Article 11 and IV set out the financial conditions by which we have to abide. . . .

. . . We are asked to balance our Budget, though there is an interpretative note, according to which we may have an occasional deficit if we want to, though we must balance over a period of years. This, of course, interferes with our internal affairs and the power to control our own finances. There is in this country a large and growing opinion that the Budget ought not to be balanced, and for this reason. In any country where the population continues to rise while productivity, due to technological reasons, continues to increase, there must be a constant increase in the monetary supply. That periodic increment of the monetary supply comes into existence as a debt owing to the bankers, because they provide the necessary additional money by augmenting total deposits through loans. Such increases average over a very long period some 3 *per cent.* per annum of the total deposits.

Supposing that an Englishman, desiring to free his country from the power of the bankers, desires, instead of the increment being found in that way, that it should be found by an annual Budget deficit, which is a perfectly fair thing to ask for, and which tends to undermine the power and influence of the bankers—an object which my hon. Friends on this side would applaud, if they understood it, which they do not—America can come along and say, "No, you are bound by the terms of Marshall aid to balance your Budget." That is why I object to a condition like this. It is foreign interference with our internal financial matters. . . .

Article IV says that there shall be a special account in the Bank of England, into which there shall be paid the sterling equivalent of all the proceeds of Marshall Aid goods. I do not object to that. Nor do I object to the fund being used for the amortisation of debt; but I object to foreigners dictating what kind of debt shall be amortised. They do that, when they say:

> "Effective retirement of the national debt, especially debt held by the Central Bank or other banking institutions."

That is floating debt, and they single it out for two reasons. First, if we amortise that sort of debt, there is no benefit to the taxpayer. The interest on it is so small as to be negligible, but there is a direct deflationary effect; and American bankers, true to form, believe that that which is deflationary is praiseworthy. . . .

. . . There is something else about the floating debt which the American bankers know and the British bankers know. Whether the House of Commons know it or not, I do not know. There is really no moral obligation on any Government to repay its floating debt. Any Government may rightly and properly, without violating any ethical canon, simply cancel its floating debt out of existence for the reason that, in the case of bank held floating debt, the lender does not part with what he lends—he merely creates it. The American bankers know that, and they want to protect the British bankers against the sort of attack which may come from people who think as I do. The American bankers have Alberta just across their frontiers, and in the light of that they are anxious to impose on us harsh and unconscionable financial conditions. I have an objection to Colonial penetration and to financial strings. . . .

. . . I will refer only very briefly to section 2 of Article II, which refers to displaced persons. *The Times* this morning had a leading article contrasting our own record in that respect very favourably with that of the Americans. Who are they, that they should impose that sort of condition upon us? Let them do their share with displaced persons before they ask us to do any more.

Mr. Walter Fletcher (Bury): Is the hon. Member not aware that they have just agreed to take over 200,000?

Mr. Smith: I am also aware that President Truman criticised Congress for behaving in so niggardly a fashion over those 200,000.

Section 3 of Article II prevents us from fostering monopolistic control. Now, hon. and right hon. Members opposite have often argued—and I, as an objective, genuine, reasonable man, am prepared to admit that their arguments have been cogent—that nationalisation involves monopolistic control. That does not frighten me off nationalisation; but I think hon. Members opposite have some cogency in their argument when they make that case against nationalisation. . . .

. . . I say that this business has been subject to hush and rush. The terms of this Agreement are substantially identical with those laid down in section 115 (*b*) of the European Recovery Act of Congress. I think any reasonable-minded Member will agree that is so. Now, last Tuesday my right hon. and learned Friend came to this House and gave the House eight days' notice to approve this Agreement: just eight days' notice. He then said:

> "For the convenience of the House, I am having that Section reproduced in the OFFICIAL REPORT."—[OFFICIAL REPORT June 29, 1948; Vol. 452, c. 2022.]

That is what he said; it is on record in the OFFICIAL REPORT for last Tuesday. And he did have section 115 (b) reproduced. Why did not he cause it to appear before? It was printed 12 weeks ago. Was it because His Majesty's Government did not want any discussion on this?

But it is not only my right hon. and learned Friend who has offended: the British newspaper Press kept it dark for 11 weeks. Not until June 18 did the *Financial Times* come out with section 115 (*b*) in full; it had not appeared until then. I have ascertained that before June 18 Lobby correspondents discussed section 115 (*b*) with officials in Government offices: but their papers printed nothing. When I used to earn my living in Fleet Street, it sometimes happened that the Government of the day would send a request round to

Continued on page 6.

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From Week to Week

In the Saskatchewan Provincial Elections, the Government, the only C.C.F. (Socialist) Government in Canada, have lost one third of their seats, although backed by the Communists, and have now only a majority of five. Ugly rumours are circulating regarding Social Credit Party leadership.

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I GLOAT, THOU GLOATEST, HE GLOATS.

" . . . Churchill's War Memoirs will be the July Book-of-the-Month. . . . I myself feel that this is like obtaining . . . something like Gibbon's DECLINE AND FALL OF THE ROMAN EMPIRE. . . . "—Book of the Month Club. New York, U.S.A. Harry Scherman, President.

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The "B."B.C. introduced the 8 a.m. News Bulletin of July 13 by remarking "This is Tuesday, July the eleventh."

Old Testament Calendar, no doubt.

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We have from time to time expressed the opinion that the Roman Catholic outlook on economics and sociology is the essentially Christian outlook; and that no other Christian body of opinion is so consistent in its *official* attitude. It is beyond question that the anti-Christian venom of the Communists is focussed on Roman Catholicism, and that Protestant bodies, when not used as tools (and even then), merely excite contempt.

Having this in mind, and with a special desire to re-emphasise our appreciation of the greatness and venerability of the Church of St. Peter, it is with deep regret that we feel obliged to criticise sharply the political antics of a minority of the Catholic Hierarchy in Quebec, which we associate with a peculiar undercurrent, not representative, but powerful. At the moment we have in mind Msgr. Desmarais, Roman Catholic Bishop of Northern Quebec, who, referring in a pastoral letter to speeches made by P. H. Ashby, M.P., and Real Caouette, M.P., as "unclean demagoguery", ordered his priests (many of whom are most valuable workers for Social Credit) not to rent parish halls and schools for Social Credit meetings. Since many French-Canadian villages have no hall but the parish hall, this amounts to interdict. This pastoral letter was read in every Church in the Diocese, and in it, Msgr. Desmarais, referring to Mr. Ashby as saying "we are not here on earth to work, we are just here to seek the results of our work": observes, "Try to make sense of that if you can."

If the most reverend Bishop cannot perceive the difference between work as an end in itself, and work as a means to a clearly understood objective, we think he would be well advised to leave the subject to those of his Communion who have a closer acquaintance with the ideas of St. Thomas Aquinas. His interference with so short an interval still to elapse between it and the Provincial Election savours not so much of policy as of politics and will be wisely construed in that sense. His actions and opinions serve directly the interests of Socialism.

At the risk of some repetition, it may be desirable to state the essential basis, and difference, which distinguishes the attack of Social Credit, primarily upon finance, but inferentially upon politics.

We hold no exclusive patent on either monetary reform or political economy, using the term in the sense in which it is understood, *e.g.*, in Cambridge. But, so far as we can observe we appear to be alone in insisting that monetary reform is *not* Political Economy. Perhaps we may elaborate a little.

We say that a money system is a special form of accounting which should indicate a balance between prices of goods in the market (including intangibles) and available purchasing-power. But further, we say that wages and salaries are payment for an intangible which is a component of all tangibles, and that these two propositions taken together impose a balance which is factual not political. Political Economy only begins where finance *ought* to leave off. For instance we should characterise the monetary policy of the Socialists in general, and the present British Administration as similar in fact and essence to a fraudulent balance sheet, not because we dislike their policy, as we do, but because we have a complete contempt for their accountancy.

If the matter rested on this plane alone, it might possibly, though not unequivocably, be claimed that the Churches are free to take sides, or to ignore, the subject as purely technical. (Is a fraudulent balance sheet purely technical?) But it does not. The essence of a genuine wage contract is that *it implies* (because wages go into cost) *a definite share of the goods produced or their* COST *equivalent. It does not contemplate the violation of that contract through robbery by a third party through differential taxation, or the introduction of undisclosed factors by a political economy contemplating devaluation of the units of payment.*

If Monseigneur Desmarais and other Catholic prelates who have criticised Social Credit activities cannot be induced by their better-instructed brethren to realise the existence of the undercurrent to which we have alluded, which is world-wide, and that they cannot shirk this issue, still less afford to be mistaken, it will not, in the event, be the Social Credit movement which will suffer.

The essence of civilisation is *free contract under duress*. To suppose that you can have a contractual system which does not provide duress after contract is to adopt the social system of the "unauthorised strikers." But when that "*type, espèce de l'homme*" Mr. John Strachey, mouths his "fair shares for all", irrespective of ability to pay, he is sabotaging all the wage and salary contracts on which our present society is supposed to rest. Whether Mr. Strachey and his colleagues know this, and are consciously working for unrestricted anarchy; or whether he and they neither know nor care so long as their eminently bi-lateral acceptable situation is maintained, we cannot say. But of two things one. Either the contractual is inherent in the nature of things and should be clearly recognised and upheld, or unilateral totalitarianism is

(*continued at foot of col.* 1, *page* 5.)

Incomes and Prices*

By BRYAN W. MONAHAN.

In 1918 Major C. H. Douglas, with a first-hand knowledge of modern factory production and accounting procedure, published a short article in an English periodical, contending that factory production did not distribute sufficient money to enable the purchase of the goods produced. This thesis was subsequently expanded in a series of books, and together with the analysis of the whole social system to which it gave rise, became widely known as the doctrine of Social Credit. Controversy, however, has centred almost entirely on the proposition now commonly known as the A plus B theorem, that incomes distributed in the course of production were less than the cost, and hence price, of that production. Many officially recognised economists have denied the proposition publicly and explicitly, and it appears to be a fact that public economic policy is based on the contrary proposition—*i.e.,* that industry automatically distributes sufficient money to enable the purchase of the whole of its output at a profitable price. This proposition is explicitly maintained by Professors Mills and Walker in their book *Money,* which is prescribed as a course of study by the Commonwealth Institute of Accountants, and consequently it is a matter of some consequence whether Mills and Walker are correct in their contention.

In the section of their book where they deal specifically with this matter, they do not state exactly what it is that Major Douglas contends. They say "Some people believe that there is an ever-present flaw in the monetary system as generally constituted, so that industry cannot distribute enough money to consumers for them to be able to buy the products of industry at prices which will cover costs . . . This belief is advanced as a theoretical justification of the so-called 'Douglas credit proposals.' "

At the time when Douglas first put forward his analysis of the situation, it was commonly believed that there was only a fixed quantity of money in the world (or a quantity which increased only slowly through the mining of gold, *etc.*), and that this money circulated through industry. A manufacturer got hold of some of it, in the first place perhaps by saving some of his income, and then he paid it out as wages to his employees for producing goods. If we were to look on the manufacturer's profit as wages to himself, we could say that all *costs* were represented by *wages,* and consequently wages were equal to costs. Professor Copland, following J. M. Keynes, puts this proposition thus: "Let X be equal to the costs of production of all producers. Then X will also be equal to the incomes of the public."

In fact, however, this proposition is simply and obviously not true. Every factory, even the simplest, adds to the cost of wages a charge for the use of plant—a charge to cover depreciation of the plant. This charge may vary from a very small amount, as when a workman using his own tools has to include in his cost of living a sum to cover the replacement of the tools when they wear out, to the high charges of a heavily equipped factory where the plant charges may amount to several times the direct labour costs. The essential point to bear in mind is that *every* factory, whatever it is making, is including these plant-charges, or overheads,in its cost of its production. But they are not *income* for anybody; they are not distributed. They are figures added to the direct wage cost.

Now if we consider series-production—*i.e.* production through a series of factories (as from the growing of wool through spinning, weaving, and tailoring to the finished suit of clothes, to take Mills and Walker's example)—there is no sort of manipulation that will get rid of these overhead charges. They are carried forward through each stage of production, and the total plant-charge appears in the ultimate price of the consumer's goods when they reach the market. Perhaps the simplest way to grasp this matter is to regard all the factories of a country as one single factory; the total cost of its product is made up of the wages paid to the workers *plus* a charge for the use of its plant. The incomes of the public consist of the wages; but the cost of the product consists of the wages plus the plant-charges. And as the total amount of plant increases, so the absolute size of the charge for its use increases. If we assume that the wage-rate and number of workers remained constant, clearly the ratio of plant-charge to wage costs would become ever greater, so that the wages distributed would buy an ever-decreasing proportion of the output. This process could be off-set in two ways—by increasing wages, and so lessening the ratio of plant charges to wages, and by improvement of efficiency—*i.e.,* by distributing the fixed plant charges over a greater volume of production. But both these possibilities are limited; and if it were true that the amount of money is limited by the amount of gold or other metals mined, it is clear that the system would soon choke up and come to a stop.

Now what Douglas actually said was that the process of production could only be carried on *if there was available a source of income which was not included in the cost of the production for sale.* There is such a source—bank credit. When a bank makes a loan, it actually increases the amount of money in existence; and when that loan is repaid, that extra money goes out of existence. But over a period of time more loans are made than are repaid, so that there is a net increase in the amount of money in existence over that period. Now advances of credit by banks are predominantly made to finance new production, and it is the financing of that forthcoming production which provides the money to buy the existing produce of industry. The plant-charges on account of existing plant are met by the distribution of income in connection with the construction of further plant, the operation costs of which are not yet an item in price. So long as there is occasion to expand industrial plant, so long will the deficiency in income be masked but as saturation point in the number of factories is approached, so is the pressure of plant-charges felt. This is the point where it is said that private enterprise has 'failed,' and that the Government must take over; and the contemporary expedient is the construction of public works to 'give employment'—which really means 'distribute income.'

It should be clear that this process is like a dog chasing

FROM WEEK TO WEEK (*continued from page* 4.)

better, and should be proclaimed. To suppose that "the British genius for compromise" can be applied to the half-slave, half-free situation without understanding what is involved, is once again to resign ourselves to the more truly British genius for learning the hardest possible way.

The essence of the National Dividend proposals of Social Credit technique is to provide for *free negotiation without duress, not contract without penalty.* We are altogether too much given to accept power politics as the basis of all activity, economic and political. Why have the "Scraps of paper" if they bind no-one?

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*From *The Australian Social Crediter for July* 3, 1948.

its tail; there is a great deal of activity, but the gap is never closed. The works, whether private or public, represent *future* costs; they enable the distribution of existing production, but aggravate the problems of future production. Public works represent public debt, which is reflected in increasing taxation, and this is exactly equivalent to the plant charges discussed previously. It should, perhaps, be pointed out that it is not primarily the interest on the debt which matters, but the fact that the debt has to be re-paid. Plant-charges and public debt represent a cost to the public which can only be met by the creation of new money (bank-credit); and the creation of this new money is governed by what Mills and Walker term "monetary policy."

The use of this term "monetary policy" really constitutes an admission of the validity of Douglas's contention. "Monetary policy" says that before the distribution of existing bread and clothes can be undertaken, new factories or public works, or production for export (which distributes incomes, but removes the goods from the local market) shall be put in hand. Building new factories does not affect the *existing* amount of bread or clothes, though it may increase the future supply; but it does distribute incomes, which either make good an existing deficiency of income in relation to costs, or are purely inflationary. Douglas's proposal is that this money should be applied in such a way as not to be reflected in future costs. His view is that neither factories nor public works should be built "to keep up employment" to make up income; once sufficient factories have been built, an accounting adjustment should be made so that plant charges, and other overheads, can be met without piling up debt. Only in this way, he says, can the public secure control of the programme of production, and *ensure that capital and export production is subordinated to the production of a satisfactory volume and diversity of consumers' goods.* The present system ensures that every generation works unduly hard for posterity; the benefits of improved process, which ought to be dsitributed in the form of increasing leisure, at present go into the excessive production of non-consumers' goods. That is why re-armament, for example, can end a depression, or create a boom; wages are paid for goods which do not come on the market. But while armaments may be indispensable for public security, of themselves they do nothing to raise the standard of living; they are not available for purchase by the public.

The essence of Douglas's view on this matter is that the monetary system should not be used as an instrument of policy at all, and particularly that it should not be used to enforce a policy of "full employment." The true nature of a monetary system should be that of an accounting system, and as such it should reflect the physical facts; and these are dominated by the fact that every harnessed horse-power of energy is capable of replacing ten man-hours of "employment." Now if we consider a country starting industrialisation from scratch, the present monetary system, by removing from consumers (workers) all the money they receive whether this is paid for work on capital, intermediate, or consumer goods, ensures that the workers must continue working, and in particular, that they must continue working on capital production in order to ensure the distribution of consumer goods. But the limit of industrialisation would be a system where all production was achieved by fully automatic and self-renewing machinery, with man-power completely displaced, and then there would be no mechanism for distributing purchasing-power in return for employment. While this limiting condition is unlikely ever to be reached, we obviously lie somewhere between the two limits of no industry and fully automatic industry, and are moving towards the latter; and if the *true* benefits of machine power are to be distributed there must be a distribution of purchasing power which does not depend on employment, and does not enter into, and inflate, prices. That is to say, once the basis of industrialisation is laid, the process of further industrialisation should be slowed down; otherwise we are merely sacrificing this generation to some succeeding generation which will reap the benefits when the rate of industrialisation *is* slowed down.

The most faithful reflection of this situation would be the steady increase in the purchasing power of the unit of money, which could be achieved just as automatically as the depreciation of money is achieved under the present policy. Such an appreciation of the value of money would pass on to the consumer directly and smoothly the increasing benefits of improvement of process, and would bring about a transition to that age of leisure which machine-power replacing labour should make possible. It is this, as opposed to "full-employment," which Douglas's proposals are designed to secure.

The existing monotary system delivers a relative trickle of consumers' goods, and progressively diverts labour into an expanding programme of capital production, and production for export; and that is "full employment." If Professors Mills and Walker think that is economically necessary, they are wrong. If, however, they think it is morally desirable, that is another question. What is certain is that the general public considers it is pragmatically undesirable—hence the strikes for shorter hours and higher wages, and the social friction generally. There is an ever-growing discrepancy between the actual and the possible standard of living; and the real depressant of the standard of living is excessive capital production. This is the result of the point of view defended by Mills and Walker; and if, as seems increasingly likely, it leads to a social up-heaval, they must accept their share of the responsibility for it.

PARLIAMENT (*continued from page* 3)

editors, advising them to ring down on certain news. The classical example was in 1936, when Fleet Street printed none of the news which was appearing day by day in France and America, about the events leading up to the Abdication. Did anything like that happen this time?

Sir S. Cripps indicated assent.

Mr. Smith: You know, some of my right hon. and learned Friend's answers appear to be rather pragmatical than related directly to absolute truth. On April 7 I asked my right hon. and learned Friend in very plain English: "Are there any strings to Marshall Aid?" Not only did he reply that there were no strings, but he used the word "fantastic" as applied to my suggestion that there were strings. The thing had been in existence four days; there is a cable under the Atlantic; we have got a diplomatic set-up in Washington; but I went about, on the strength of the authority of my right hon. and learned Friend, telling audiences that there were no strings attached to Marshall Aid. . . .

We have got to have this aid, and I know it. If we do not have this aid, we cannot maintain full production. Everything the right hon. Gentleman said in that respect was true, without any qualification; there was no pragmatism about that; it is true. There are hon. Members of this House who think we should look to Russia. We cannot do it. Russia has nothing to give away, for the very reason that we have nothing to give away. . . .

We want something over and above what we can get by exchange. We want gifts, commensurate with the great gifts this country gave to the rest of the world in the 19th century under the operation our overseas investment policy, which involved losses on the tremendous scale indicated by the right hon. and gallant Member for the Scottish Universities (Lieut.-Colonel Elliot). We want gifts now, commensurate with the inestimable gift of liberty which the rest of the world, including America, enjoys very largely because of sacrifices of British blood and British treasure—our disproportionate sacrifices in the late war. We want those things. The common people of America, I know, do not grudge us those things. The common people of America wish us well. I know that that is so. But if one looks a gift horse in the mouth, one sometimes sees that it is a Trojan horse; and the generosity of the common people of America contrasts very greatly with the calculating statecraft by which the rulers and financiers of that country are imposing conditions on to this aid, which they know we must have.

I believe very sincerely, and with all the intellect I have, that the hope of the world lies in this country teaching the rest of the world how to combine individual liberty with economic abundance. I believe that. Russia cannot do it, because in Russia the individual human being is subordinated to the one-party State. America cannot do it, because they worship this inhuman law of supply and demand. Only Great Britain can do it, in conjunction with her Colonies, the Dominions and the other nations of Western Europe. . . .

Mr. Hollis (Devizes): . . . The third strand of the hon. Member's [*Mr. Norman Smith*] argument, in his criticism of fixing the rate of exchange and of the threats to our Imperial position, was to suppose that were we to reject this Agreement we should then be entirely free people. That is not the situation at all. Both the hon. Member and I were opposed to the loan, but rightly or wrongly this House accepted it, and rightly or wrongly we accepted Bretton Woods, Geneva and Havana, and all the obligations which this country undertook under those Agreements are obligations which still stand, whether this Agreement is rejected or not. . . . he says we have a right to expect assistance from America "unconditionally and as of right." He failed to note throughout his speech a matter which is surely of no small importance; that it is America which is giving the money and we who are receiving it. That makes a certain difference in making a bargain.

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Mr. Platts-Mills (Finsbury): . . . This is not an Economic Co-operation Agreement but, as was shown by my hon. Friend the Member for South Nottingham (Mr. Norman Smith), it is an agreement for the economic strangulation of Britain and nothing less. If we accept these terms, we shall be yielding up our commercial independence, we shall be abandoning the last vestige of political freedom, and we shall finally be submitting this country to a colonial status on a level with that of the most humble of the 16 nations.

No one would reject external aid if it were genuine. There are few points on which any one of us would challenge the unhappy picture given on both sides of the House of our need, but if we look at the political realities behind it, on which one or two hon. Members have only barely touched, we find that Marshall Aid is not genuine. It offers no cure for our economic ills. It will inflame and worsen them. . . .

. . . May I turn to Article II? As the hon. Member for Central Southwark (Mr. Jenkins) said, this is an important article. It provides the machinery. The most striking part of it, as the Chancellor pointed out, is that which requires that Great Britain shall comply with the production targets fixed by the O.E.E.C. That means production targets designated by the United States of America. I will tell the House why I say that. Everybody has observed that from the very first day in July, 1947, when the Foreign Secretary raced headlong to Paris, to try to capture the leadership in the task of shepherding Western Europe into the Marshall fold—from that day the 16 nations, first in C.E.E.C. and then in O.E.E.C., have been distinguished by one quality—they have acceded to the slightest whim of the American adviser. . . .

. . . In spite of what the Chancellor says, in spite of what we have heard in interventions from the President of the Board of Trade, it is not we who will decide the validity of the rate of exchange, but the Americans.

I say that for this reason: If it were an ordinary question of construction of a private bargain, it would be decided by a court. In this bargain, however, with its international setting, we notice that in Article VII. . . . there is a provision for consultation about any part of the Agreement. Every part of this Agreement depends upon future negotiations and consultation. . . .

These negotiations, agreements or discussion will be between unequal parties; between those, on the one hand, who claim and possess the power to insist and those, on the other hand—the leaders of the Government of today in this country—who say they are powerless to reject the demands of the Americans and have shown tha they are determined to submit. Therefore, when the Americans ask for consultation, as they will on the validity of our rate of exchange, they will decide what is the correct rate. Not only is that so, but the very terms of the article provide that we will maintain confidence in our monetary system. That means to maintain confidence in the mind of the American Administrator—not in my mind or in your mind, Sir, but in the mind of the other party to the bargain; and when the American administrator says that he no longer has any confidence, we will have to change our rate of exchange.

I beg the President of the Board of Trade, if he is to reply, to express his view about this skeleton of Hitler's "New Order" prescribed for Europe. The essence of that arrangement was not that Germany confiscated the great industrial concerns of the subject countries. It was that German big business men bought those concerns, and said they did so at a fair price; that was how it appeared in the native currency. But the Nazis decided the rate of exchange and of course only "after consultation." . . .

Article II (I, *d*) is the one about which also some weeks ago I ventured to ask questions and was told that it was not right that we should consider or discuss this in public. This is the provision that we will reduce our tariff barriers. I venture to warn the House that there is no security for British industry, once our Government is required by obligation to discuss the reduction of barriers when the other party to the discussion has the threat of the right to withdraw aid.

So far as I remember, Article III contains the first express provisions by a British Government for the incursion of large-scale American investments into the United Kingdom. Hon. Members may think that that cannot harm us, for British capitalists have long since given up trying to invest in the United Kingdom. It is some time since the British capitalist has been prepared to invest in the basic industries of Britain —[*Laughter*]. It is so. That is why we have nationalised the bankrupt industries, coal and the railways. Indeed, that is the basis of our approach to the problem. It is not enough to say that the United Kingdom is safe, unless we observe that in this Agreement a novel definition of the United Kingdom is introduced. As the Chancellor today pointed out to the right hon. Member the senior Burgess for Oxford University (Sir A. Salter), the United Kingdom in this definition includes every colony in the Empire. . . .

. . . Article IV provides for what we have called up to now the gift or grant—the gift that we pay for in full. Here we have a most interesting description of the price of the goods and services which we get. It is not to be agreed; it is not to be a world price or a reasonable price; it is the price indicated by the United States—"the indicated dollar cost" which every now and again they will notify to us. It is a price fixed exclusively by the U.S.A. We are then allowed to use the money we accumulate in the Bank of England and Article IV (6) tell us how. We are to spend the money,

"for such purposes as may be agreed. . . . "

by the United States. They, then, particularise certain of the purposes which we all have in mind. The outstanding purpose is the construction of works and the building-up of enterprise to increase our production of raw materials, which, then will go to the United States. This is the lot of every Colonial and subject country—to provide raw materials for the industry of the superior. Article V, dealing with strategic materials, goes on to tell us what we are to do with this great reserve of raw materials which we are expected to build up. We are to give it to the United States—or, rather, we are to ship it to them. . . .

. . . I will tell the House what the first purpose will be. It will be not for strategic purposes, but to enable the new Germany to build up her industries.

. . . What emerges is that America is determined to rebuild the Western zone of Germany, and to that purpose is to be devoted the great flood of raw materials which will become available to America under Article V. That is why the hon. Member for Bury was right in saying that it was not for stock-piling and strategic purposes alone but also for other purposes. That other purpose will, I suggest, be the equipping of Germany with raw materials with which she will flood the markets of Europe. When the American capitalist slump comes, as it will, what will be the position of Britain?

The alternative is set out in some detail in the Motion in the name of myself and my hon. and learned Friend, which I ask hon. Members to read. . . . [*]

Report Wanted

We should be glad if any reader could send to the office of this journal a newspaper or other report of the speech of the Lord Mayor of Cardiff on the occasion of the gift of the Freedom of the City to Mr. Winston Churchill last week.

[*] To initiate trade negotiations with the U.S.S.R. and countries of Eastern Europe.

Pedigree Livestock for Russia.

The Editor,

The Social Crediter.

Sir,—It is reported that more than 1,000 head of Britain's best cattle are being sent to Russia, including prize bulls, sheep and pigs, the first of at least three shipments which the Russians are buying here to improve their herds.

We are not told what we are getting from Russia in exchange, but in view of the possibility that it may be bombs at a future date, there is only one word to apply to this outrageous transaction—treason.

We are told that we *must* export goods in order to buy food. What do we export food for?

Yours faithfully,

D. Beamish.

Parkstone, July 6, 1948.

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