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FOR POLITICAL AND ECONOMIC REALISM

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From Week to Week

"Dare we now give shelter to political refugees who may be followers of this pernicious creed and who well may disguise themselves to bite the hand that feeds them?"

The Lord Chief Justice was immediately answered by the *Manchester Guardian* (and doubtless the British still resident in Manchester need some guarding) with an impatient "This is no time for an outburst of xenophobia," while the *Daily Telegraph* and the *Spectator* likewise both went out of their way to rebuke the Lord Chief Justice for what, in fact, he had not said. Nevertheless, it is evident that, whoever these journals are trying to please, they are not pleasing many readers.

Perhaps *The Sunday Times* has appreciated so much, for in an outspoken leading article with the Aesop-like title "Fuchs and Geese," it says:

"The case of Herr Doktor Fuchs should cause the British public to think hard and deeply. We must beware of concluding merely that M.I.5 has slipped up. Much is very seriously amiss—for instance, governmental tolerance of inflated Communist missions, which facilitate subversion and espionage.

"The fault lies with the whole administration, indeed with a whole attitude—a mental laxity which shrinks from recognising that Communism is not a party but a conspiracy. Thus it allows Communists to work in the teaching profession or in the B.B.C. and to infiltrate the public service. To drift like this is to commit democratic suicide."

The newspaper points out that a candidate for naturalisation must be vouched for by four trustworthy citizens: "who were the four who vouched for FUCHS? Either they did not know his Communist connections and so vouched with levity, or they did know, and rashly thought that the taint did not matter. Or else sponsors were dispensed with, for exceptions to the rules can be made; but someone must stake his reputation on the grounds for them. . . .

"There must be an end to a system whereby we are saddled with aliens of whom we know nothing, on the words of citizens of whom we know nothing. This is only the beginning of reform. All Communists must be considered not as potential enemies of democracy, but as its actual enemies. With Communism we are actually at war—cold war but deadly. We shall always be fighting the cold war with one arm tied behind our backs so long as we are handicapped by exponents of the view that Communism is 'only another philosophy,' and must therefore have 'fair' opportunity to destroy us."

However, we shall not think the tide has turned so long as our contemporary *Truth*, so strong in many things but so weak in its economics, thinks there is even some

truth in John L. Lewis's dictum that we in once-great Britain are "sitting on a coal deposit which, if taken from the earth by modern methods, would solve the economic problem of the British." Do we thereafter return to charcoal burning on the estates of the Forestry Commission and start all over again? How do you solve a problem the essence of which is sabotage when you can't find anyone to take your wealth for nothing by giving your all?

It has been suggested, following Professor Laski's testimonial to the impeccability of Mr. Strachey's opinions, that should the former himself ever require a champion, he might do worse than to seek the services of Mr. Pritt, or failing him, Dr. Nunn May.

"We need a rest from the flood of legislation—time to think, discuss and examine. It is not altogether a bad thing that Parliament and the country should for a short while, have the opportunity to look objectively at what has been done in such a tearing hurry," says a newspaper writer (our italics).

Our suggestion was that "they" might have to do a little thinking. We've done our share.

PARLIAMENT

THE KING'S SPEECH, (March 6).

The KING being seated on the Throne, and the Commons being at the Bar with their Speaker, His Majesty was pleased to make a most gracious Speech to both Houses of Parliament, and then retired.

His Majesty's Speech was as follows:

"My Lords and Members of the House of Commons.

"I am proud to recognise that My people, by a sustained endeavour, have increased industrial and agricultural production and thereby helped our country forward to greater prosperity. In this task they have been greatly assisted by the help and co-operation of the Governments and peoples of other parts of the Commonwealth.

"The world shortage of dollars, in which this country has shared, has again been eased by generous help from the United States of America and Canada. Renewed efforts will, however, be required to secure a balance in the country's overseas trade and, in particular, to increase earnings in North America.

"My Government will maintain their whole-hearted support of the Organisation for European Economic Co-operation, through which it is hoped to work out a new European payments scheme.

"I look forward with great pleasure to the visit of

the President of the French Republic and Madame Auriol.

"My Government in the United Kingdom warmly welcomed the opportunity provided by the recent meeting of Commonwealth Ministers in Colombo for a valuable exchange of views on foreign affairs. In accordance with the recommendations of the meeting, My Ministers look forward to co-operating with other Commonwealth Governments in matters of common interest in South and South-East Asia.

"My Government welcome the inauguration on the 27th December last of the Republic of the United States of Indonesia as an independent sovereign state, with whom diplomatic relations have been established.

"On the 6th January My Government accorded recognition to the Central People's Government of the People's Republic of China.

"On the 7th February My Government granted recognition to the States of Viet Nam, Laos and Cambodia, as associate states within the French Union.

"My Government will continue to give full support to the United Nations, for it is only through an effective system of security that world peace can be assured. In particular, they will use their utmost endeavours, through the United Nations, to assist in finding a durable solution of the tremendous problem of atomic energy so that international agreement for adequate control and supervision of the production of atomic energy may be secured.

"My Government will do their utmost to ensure the success of the Council of Europe.

"The formation of a Federal German Government has made possible a progressive transfer of responsibilities from the Western Allies to the Germans. As a result My Government have been able to make substantial reductions in the cost of their administration of Germany.

"My Ministers will maintain the closest relations with the other Powers signatory to the North Atlantic and Brussels Treaties, and will play their due part, in collaboration with the other Powers, in strengthening common means of defence. My Government will continue to take all necessary steps to ensure that My Armed Forces are ready to meet their responsibilities in all parts of the world. The new organisation of Civil Defence will be developed.

"My Government are actively promoting the economic and social development of the Colonial territories, and the Colonial Development Corporation is proving a useful instrument to this end.

"Members of the House of Commons:

"The Estimates for the public services will be laid before you in due course.

"You will be asked to approve orders making certain changes in the Customs Tariff arising from the agreements which My Government concluded last summer at the meeting at Annecy, at which the Governments of the Commonwealth were represented.

"My Lords and Members of the House of Commons:

"The economic difficulties of this country have emphasised the need for renewed effort to expand the production of food from our own soil, and My Government will continue to take all practical steps to encourage our agricultural population to increase output by every efficient means and to make better use of marginal land. The improvement of

water supplies, particularly in rural areas, will continue to occupy the attention of My Ministers and preparatory steps will be taken with a view to the introduction of legislation as soon as circumstances permit.

"In view of the restricted time available and the heavy volume of financial business to be transacted, My Government propose only a limited programme of legislation for the present Session. Nevertheless, should other measures prove in their view to be immediately necessary for the maintenance of full employment and the national well-being, My Ministers will not hesitate to submit them to Parliament, even though they may seem likely to prove contentious.

"Bills will be laid before you to amend the law relating to allotments in England and Wales and in Scotland.

"A Bill will be laid before you to amend the Medical Acts so as to raise the standard of medical education and to modify the constitution and disciplinary procedure of the General Medical Council. Legislation will also be introduced to vary the constitution of the Central Midwives Boards and to make other alterations in the law relating to midwives.

"A measure will be laid before you to provide a uniform code for regulating the breaking-up of streets by public utility undertakings; also a measure to empower highway authorities to place and maintain cattle grids in highways.

"You will be invited to pass a Bill to regulate and improve the living conditions of the crews of fishing trawlers.

"You will be asked to approve legislation giving further encouragement to the transfer of industrial undertakings to the development areas.

"On receipt of a further report from the committee which is examining the law relating to leasehold, My Ministers will consider what legislation can be introduced to amend the law in respect of residential and business premises.

"Other measures will be laid before you if time permits; and it is hoped to make further progress with the consolidation and revision of the Statute Law.

"I pray that the blessing of Almighty God may rest upon your counsels."

House adjourned during pleasure.

"THE LABOUR PARTY AND SOCIAL CREDIT"
(continued from page 7).

to the support of economic dogmas which are expressly challenged by the theory of the Scheme.

At least three members have publicly pronounced against it, and at least two members are prominently associated with the propaganda of schemes of social reform which contemplate dealing with industry by the elimination of any non-active beneficiaries, without reference to its decreasing requirements in respect of active labour.

Under these circumstances we feel sure that you will agree that your Committee, as at present constituted, would suggest to an unprejudiced observer a strong tendency to take, as in the case of the Committee on High Prices, certain orthodox financial propositions as manifestations of natural law; a position only contestable to persons familiar with their origins.

As we agree most unreservedly that an investigation by a suitable Committee of a Scheme claiming to offer

a solution of the present difficulties is in the highest degree desirable, we would suggest the formation of such a Committee on the following lines:

(1) The Committee to consist of twelve members, six to be nominated by ourselves, and six by the Labour Party.

(2) It shall be an indispensable qualification for membership of such a Committee that they shall have been, within the last five years, actively engaged in some branch of productive industry or the administration of it; and shall not be publicly committed to any specific scheme of social or industrial reform.

(3) The officials of such Committee shall be elected by the Committee.

In the event of such a Committee being constituted, we shall be entirely at its disposal for the most complete investigation of both the practical and theoretical aspects of the Scheme.

Yours faithfully,

C. H. DOUGLAS,
A. R. ORAGE.

V.

34, Eccleston Square, S.W.1.
June 3, 1921.

Dear Sir,—I am in receipt of your letter of the 28th ult., from which I understand that you are not prepared to give evidence before my Committee as at present constituted.

In these circumstances the Committee must rely upon the various published statements relating to the NEW AGE-Douglas Credit Scheme.

Yours faithfully,

ARTHUR GREENWOOD,
Secretary.

VI.

34, Eccleston Square, S.W.1
June 3, 1921.

Dear Sir,—Mr. Greenwood has handed me your letter of May 28, in which you take exception to the personnel of the Committee which is inquiring into the NEW AGE-Douglas Credit Scheme, and suggest the formation of a new committee.

As regards the first point, I wish to say that the Executive Committee of the Labour Party has the fullest confidence in the Committee which it has appointed.

Your second point, referring to the establishment of a joint committee of inquiry, is one which my Committee could not except. The Executive Committee of the Labour Party claims the right to carry on its work in its own way; and, in any case, it could not be expected to approve the appointment of a Committee the Labour members of which "shall not be publicly committed to any specific scheme of social or industrial reform," whilst the members nominated by you would be definitely committed to the scheme under consideration. It is, moreover, obvious that the condition you attach would rule out from membership every member of the Labour Party. The second qualification—that members "shall have been, within the

last five years, actively engaged in some branch of productive industry or the administration of it" would exclude economists, whose existence is essential in dealing with the theoretical basis of your scheme.

Yours faithfully,

ARTHUR HENDERSON.

VII.

38, Cursitor Street, E.C.4.
June 4, 1921.

Dear Sir,—We are obliged by the receipt of your letter of the 3rd inst.

If you will kindly refer again to our letter of the 28th ult, addressed to Mr. Greenwood, you will see that we did not suggest that the members of the joint committee to be nominated by ourselves should be any more "committed to the scheme under consideration" than the members to be nominated by the Labour Party. The same qualifications were to apply to all the members of the Committee, however nominated. On the other hand, in view of the desirability of an impartial inquiry, we equally suggested that, if none of the members of the Committee should be committed one way or another regarding the scheme, neither should they be committed to any scheme specifically antagonistic to it.

Regarding the co-operation of professional economists in the Inquiry, while their evidence as witnesses might be valuable and we should welcome its inclusion, their title to act as judges is not, we think, admissible. This is much rather the function of such a Committee as we have proposed, consisting of men without theoretical commitments, and with practical knowledge of both the problem to be solved and the actual means available for solving it.

We do not think it is necessary to stress the increasing gravity of the social and industrial situation in asking your assistance to the end that the suggested Inquiry shall, if held, give due weight to the facts, and consideration to the proposals submitted to it, without reference to any other than the public interest, and, as far as possible, shall be representative of that interest, rather than of any one section of it.

Yours faithfully,

C. H. DOUGLAS,
A. R. ORAGE.

"A practical scheme for the establishment of Economic and Industrial Democracy, (the Mining Scheme)" is included as an Appendix in *Credit Power and Democracy*, by C. H. DOUGLAS.

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by GEORGES-HENRI LEVESQUE, O.P.,
Professor of Economics, Laval and Montreal
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Saturday, March 18, 1950.

On the Agenda

Lord Quickswood has been writing to the *Daily Telegraph* to suggest, with a freshness that goes far to dispel some of our gloomier apprehensions, certain considerations which usually escape attention in the matter of "party discipline."

"I see" he begins, "something about tightening up 'party discipline' in the Labour party, and that leads me to ask you to allow me to point out that 'party discipline' is destructive of parliamentary government.

To be sure, there has always been a little party discipline, but during the last 70 years it has steadily grown stricter. The Labour party have been more open and shameless about it than their predecessors and it is now apparently regarded as a quite legitimate thing.

"It means however, that a Member of Parliament ought to vote under the pressure of his party, contrary to his own private judgment and conscience. But then what is the use of discussion and deliberation in the House of Commons, and what does it matter whether you have a good and able M.P. or a stupid and wicked one, for he is bound to vote with his party and might just as well be a machine? It is justified, I suppose, on the theory that the will of the people is so carried out. But this is nonsense.

"No one can tell from the result of an election what the people want about each particular issue between the parties, still less, of course, about any new issue that may arise in the course of the Parliament. Talk of a 'mandate' is muddle-headed confusion; for example, how many voters who voted Labour in this election really wanted nationalisation? Certainly not all—possibly not many. They voted merely generally because they preferred the Labour party to the Conservative party; and very possibly disapproved of many items in the Labour programme.

"At any rate, government by the direct decision of the people is not parliamentary government; it may be called plebiscitary government. It is really unworkable, but the nearest approach to it is by what are called Referendum and Initiative, which do, I believe, work in Switzerland.

"The theory of parliamentary government is quite different. It is that members are representative in their character and opinions of the people who have elected them, and that, being representative, they exercise their own free judgment upon the questions submitted to them. In the formal legal phrase, they are the Commons of the realm by representation.

"But if there is party discipline all this becomes unreal. There is no true deliberation, no free decision. Disciplined members walk mechanically through the lobby and they might quite as well deliver proxies to their leaders and not trouble to attend the House. Moreover, an unpleasant flavour is given to party discipline by payment of members, which has existed for more than 40 years and has lately

become larger in amount. It is, of course, a public and seemly transaction; but, with party discipline, in result and effect it closely resembles pecuniary corruption. . . ."

Whether one subscribes to Lord Quickswood's theory of parliamentary government, or deems his statement of it comprehensive and sufficient or not, he has put clearly and realistically one aspect of present troubles. The machinery of politics is down for discussion; but let us remember that in much counsel there is little wisdom.

Stalin's Counter Offensive in France

"Things have started moving in France, jolting an established complacency. 'Uncle Joe looks East' was the comforting belief which obtained. It was felt that, while Moscow was engulfing in the Soviet Empire the greatest of continents, the Western European area would be left to organise itself and there were many skeptics who argued that the Soviets need not interfere, that inherent difficulties were enough to preclude any actual crystallization of Western Europe.

"It seems that Stalin does not range himself with these skeptics, that he regards the building-up of Western Europe as something which has started to happen, and which must not be allowed to proceed. For he has evidently ordered a great offensive against France, the nucleus of Western Europe.

"While this country is being represented, in the great spy trial at Stettin, as nursing aggressive plans towards Poland and Russia (which would be funny were not Stalinian jokes rife with sinister consequences). France in the meantime is being driven rapidly towards internal disorder. Indeed it is frightening to have thus proved the power of the Soviets to reverse in a few weeks a heretofore favourable internal situation.

"What is the purpose of the Stalinian offensive in France? Possibly Stalin wishes to reproduce the Chinese pattern. It was a tremendous and decisive success to discourage American support of Nationalist China. If France could now be made to seem unreliable, another area of quicksand, then again American support might be removed, and again the road would be open for Communist victory. . . .

" . . . The Communists want American opinion to think of France as riddled with Communists, just like the Germans in 1940 wanted the French to think of themselves as interspersed with fifth columnists. The presence of a Joliot-Curie as the head of our atomic research is valuable to them because it naturally arouses doubts in the U.S. The sensational story about General Revers, based upon only the slightest foundation as far as one can ascertain, was jam to the Communists

"Unfortunately Stalinian action can do far more than give France the appearance of weakness and disorder; it is proving a powerful disruptive."—Bertrand de Jouvenel in *Human Events* (Washington, D.C.)

London Meeting of Social Crediters

Dr. Tudor Jones has accepted the invitation of the London Douglas Social Credit Group to address a meeting under its auspices on Wednesday, March 29. Notification of time and place will appear later. In the meantime, since the meeting will not be confined to members of the group, will regular readers of this paper who may wish to attend please apply for tickets to Mrs. B. M. Palmer, 35, Birchwood Avenue, Sidcup, Kent?

**Major Douglas's
"The Labour Party and Social Credit"**

[FOLLOWING UPON MR. NORMAN WEBB'S RECENT REFERENCE TO THIS SERIES OF ARTICLES, FIRST PUBLISHED BY MAJOR DOUGLAS IN 1922, AND EARLIER REFERENCES, REQUESTS WERE MADE FOR A REPUBLICATION OF THE MATERIAL AS HAVING SOME DIRECT BEARING ON THE PRESENT POLITICAL SITUATION AND THE PROBABLE COURSE OF THE DEVELOPMENT OF SOME OF ITS OUTSTANDING FEATURES, *e.g.*, THE AUTHENTICITY OF THE CLAIMS OF THE LABOUR PARTY AND THE T.U.C., JOINTLY OR SEVERALLY TO "REPRESENT" "LABOUR." WE PUBLISHED HERE LAST WEEK THIS MATERIAL AS IT APPEARED IN THE FIRST INSTANCE, TO BE FOLLOWED BY THE APPENDICES TO WHICH REFERENCE WAS MADE IN THE TEXT.—Editor, *T.S.C.*]

APPENDIX I.

If an attack were levelled at a treatise on the game of cricket on the grounds that the author's theory did not conform to generally accepted views on stool-ball, it would be necessary to stress some general differences between the games, if for any reason an answer to such criticism were deemed to be desirable.

To the extent that the Report is a reasoned, as distinct from a propagandist, document, it is a defence of the existing banking and financial system, and may reasonably be assumed to proceed from Mr. J. A. Hobson and Mr. Hugh Dalton ("Sir Ernest Cassel" Reader in Commerce, London School of Economics), with the assistance of the anonymous but experienced banking official.* It will be understood that such a defence may be perfectly sincere—it is certain that every form of influence would be exerted to further the appointment of sincere advocates of such views. It is necessary to emphasise this point in order to make it clear that the official Labour Party has no fundamental difference of opinion with the existing financial system—it merely claims that its motives, intelligence and general equipment qualify it to work the same system better than the existing administrators, a point of view on which, no doubt, the public will form its own opinion. It becomes of interest, therefore, to gain a clear idea of the premises from which these critics proceed, and to isolate the vital fact that it is in these premises themselves and not alone in the deductions made from them that the Social Credit Movement (and, it is believed the best interest of nine-tenths of the populations of every country, whether they be rich or poor) is in sharp opposition to the official Labour Party and High Finance jointly.

These premises, from which this Report, accepted by the Labour Party, proceed are:—

- (1) That financial credit is a concrete thing conditioned by limitations inherent in itself. (This idea is implied in the glaring and persistent misuse of the word "Capital" where financial credit or resources are indicated.) Page 6, page 7, *etc.*
- (2) That banks and bankers cannot and do not create financial credit. (Mr. Gregory, "Sir Ernest Cassel," Reader in Economics, London School of Economics, has twice, at least, made this statement in public.)

(3) That the right and only possible expression for price level, P_{av} ,

$$P_{av} = \frac{\text{Effective demand}}{\text{Existing goods}}$$
i.e., the price of an article is what it will fetch.

(4) That the objective of the industrial system is employment.

From these premises proceed the objective facts that Germany cannot be made to pay without ruining her creditors; that America, while determined to collect her debt from us, imposes a tariff which is especially designed to prevent collection; that only a coal strike in the United States, *i.e.*, restriction of output, has prevented the bankruptcy of the Welsh coal trade, and many other sufficiently remarkable phenomena which the Committee find it convenient to ignore.

The premises of the Social Credit Movement are:—

- (1) That financial credit is a mere device, which can have no economic significance apart from real credit, *i.e.*, the correct estimate of the ability to deliver goods and services as when and where required.
- (2) That banks and bankers can and do create financial credit, and by successful manipulation appropriate the power resident in the real credit of the community for purposes largely anti-social, as well as purely selfish.
- (3) That the right, *i.e.*, practically satisfactory, expression for price level should be

$$P_{av} = \text{Cost} \times \frac{\text{Rate of consumption}}{\text{Potential rate of supply}}$$

$$\text{Cost} \times \frac{\text{depreciation}}{\text{goods produced} + \text{real credit produced}}$$

i.e., the price of an article should be that which will get it produced and delivered in the maximum quantity desired.

(4) That the objective of the industrial system should be the delivery of goods and services to the orders of individual consumers. It should not be employment, nor is it a common aspiration of the community that it should be designed to place any individuals whatever, either High Financiers or members of the Labour Party Executive (however great their moral and intellectual qualifications may be), in a position to arbitrate on what is or is not useful work, and to withhold a share in economic prosperity from "non-workers," as thus arbitrarily defined.

To accommodate slightly the language of the Report, I do not feel called upon to defend these latter premises, but it is necessary to draw attention to the differences of outlook which exist.

Page 3, line 25: "That part of the factory's receipts, which is distributed in wages, salaries and dividends." Receipts are prices; dividends are paid out of them. Wages and salaries are costs, together with profits. They are not paid out of receipts; but, antecedently, out of credit. The quoted words are attributed to me. It is, perhaps, unnecessary to repudiate them.

Page 3, line 27: "The rest of the money which is

*Albert Emil Davies—Editor, *T.S.C.*

distributed in payments for plant, *etc.*, simply goes, in his view, to pay off advances which have already been made by a bank to the manufacturer for the purchase of these articles," seems to me quite without meaning. A manufacturer of plant does not purchase it—he manufactures it.

The above two quotations are the basis of a statement (page 3, line 35): "We think this description is fallacious in several respects." Agreed. It is an unintelligible and misleading paraphrase of the theory to which it is stated to refer.

Page 3, line 42: "Further, all payments—wages, interest, salaries and everything else—*eventually* go to individuals." Wages and salaries came out of credit, and *originally* went to individuals and *eventually*, together with profits, are recovered in prices out of which dividends are paid. (My italics.)

Page 4, 2nd paragraph.—It is difficult to criticise this paragraph. The words: "Major Douglas . . . does not seem to appreciate . . . that (as a rule) new purchasing power is paid out in respect of to-morrow's production just as much as to-day's," when taken in conjunction with the objective fact that if you throw a man out of work this week he cannot buy next week's production, seem to me to make it so obvious that the public is spending the *money* this week which it ought to be able to spend next week; or, in other words, that it takes, *e.g.*, two weeks' income to buy one week's goods, that I am surprised that whoever included those words did not realise their implication. The remainder of the paragraph is a criticism of something I have never said.

The following paragraph is remarkable (page 4, line 22). It amounts to a statement that export credit and loan credit are not purchasing power. The authors of the Trade Facilities Bill (1921-2) will kindly note.

Page 4, final para.:

"There is no warrant for the assumption that the cost of production and therefore the selling price is swollen by the amount of capital employed in production, whether or not some part of this capital is provided by a short loan from a bank. Capital employed in production lasts normally for more than the making of one product. . . ."

This paragraph seems singularly incompetent. In the first place, it confuses the credit which is employed to induce the production of capital goods with the capital goods themselves. As it is the contention of Mr. Hobson that financial credits, *i.e.*, bank deposits, are "savings," and as the plant presumably indicated in the words "Capital employed in production," *etc.*, clearly came into existence *after* the credit (bank loan) which induced its production, it is to be hoped that he dissociates himself from this portion of the Report.

Further, if a "short" loan financed this capital production then, "shortly," it was repaid. The bank wrote off the transaction by means of money paid by the manufacturer, either out of a fresh credit or out of money obtained from the public. In the latter case, the public paid for the plant, but did not get delivery; in the former case the plant could not be paid for out of wages, salaries or dividends, so was paid for out of credit. In neither case, apart from the *creation* of bank credits, does there exist purchasing power extant in the community to liquidate

the charge, either as to capital or interest, which has been put upon the plant financed in the manner indicated.

Page 5: Two misconceptions are apparent in the arguments adduced on this page. The first and less important, is the failure to realise that depreciation and maintenance, obsolescence, *etc.*, are *added into* prices, and *written off* profits. Dividends come out of profits, consequently, are smaller than the profit item in prices and cannot liquidate it. The more important is that while "Charges for depreciation and renewal of capital must always be paid" (line 27), this can only be done if purchasing power is distributed to those who are asked to pay *depreciation*, in respect of *appreciation*—a subject on which the Report is wholly and discreetly silent.

On page 6 a table is given purporting to show the trend of nominal wages, prices and real wages at various periods. In common with other statistics produced, this table only shows that real wages bear no valid relation to real productive capacity, but a functional relation to the manipulation of the financial system during war periods, *etc.*

The remainder of this page is simply an argument from premises which it is believed are sufficiently invalidated by the foregoing portion of this Appendix.

Page 7. This is not responsible criticism, and it is perhaps only fair to assume it to be wholly propagandist in intention. It attacks authoritative price-fixing. Authoritative price-fixing is specifically denounced as both undesirable and impracticable in both "Economic Democracy" and "Credit Power and Democracy," and the suggestions advanced in those books are expressly designed to avoid it. It goes on from its own false premise to say that the Scheme (which makes an issue of national credit *dependent* on an improved relationship between supply and demand) would bring back "the worst experiences of the war-soaring prices, inadequate supplies, queues and the rest of it—only very much more so." I feel sure that I shall be excused from an expression of opinion on this.

"The Producers' Bank. Major Douglas lays much stress on his proposal that a new banking company should be established for each industry, preferably by the Trades Unions concerned." I am inclined to admit that the Committee appointed by the Central Executive of the Labour Party are right in attacking this feature of one specific Scheme (that for the Mining Industry)—a feature, it is necessary to emphasise, which is in no way fundamental to the general principles involved. When this scheme was drafted, I was inclined to believe that Labour organisations formed a useful method of obtaining for the individuals who were included in them those things which I believe they want, have a practical right to, and can get. That idea, though more true four years ago than now, may even then have been unduly optimistic. It depends for its validity on the assumption that a Trades Union has real credit, *i.e.*, it is a factor in a correct estimate of the capacity of the community to deliver goods and services as when and where required. If it has real credit financial credit can be attached to that real credit. The Report is at some considerable pains to show that the Miners' Labour organisation has no credit. This means that it is a negligible factor in the situation, as operated at present;

and as the Committee is acting for it, I must defer to its superior knowledge on this matter. It reads curiously as from a "Labour" Committee, however.

The remainder of the criticisms on the Producers' Bank as such all arise quite clearly from an obsession regarding the fundamental reality of "money," and the comparative unimportance of goods and services. It is the tickets that matter, not the train service and the seating accommodation, to the Committee. I would suggest to those concerned, a short audience of the Departmental controversy between any Operating Department and any Traffic Department on any railway at any time, for illumination.

There is also an instructional paragraph on Clearing Houses. The object of making such a bank as was proposed a member of, *e.g.*, the London Clearing House, was to enhance the "viability" of its cheques, *i.e.*, to ensure that they should be exchanged freely for cheques of other banks. It had nothing whatever to do with the bank's solvency. Incidentally this paragraph is misleading in suggesting that clearing houses "do nothing to increase the amount of money at the bank's disposal" (page 8, line 48). If *credit* is meant by this, it is true; if legal tender is meant, it is palpably untrue. It is lack of legal tender which the Committee stress.

The criticism of the staff required to run such a business may charitably be ascribed to ignorance of commercial procedure in the payment of wages, *etc.*, at present. By combining the credit-keeping and the wage-paying organisation in one, not only would a considerable saving of labour (!) ensue, but the practical inconvenience of "pay-day" to everyone concerned would be eliminated.

It is believed that all the specific criticisms contained in the Report are considered in the foregoing paragraphs. The general implication of the Report has already received attention; and the counter proposals of the Committee will no doubt be judged on their merits.

Perhaps fortunately, the moving drama of events seems likely to establish their relative importance.

APPENDIX II.

I.

34, Eccleston Square, S.W.1.
May 24, 1921.

Dear Sir,—At its first meeting to-day the Committee set up to inquire into the Douglas Credit Scheme asked me to invite you to attend its next meeting, to be held on Wednesday, June 1, at 4-30 p.m., in order to discuss the Scheme. The members of the Committee have read "Economic Democracy" and "Credit-Power and Democracy," and they leave you to decide whether you think it desirable to submit any memorandum for the consideration of the Committee.

Yours faithfully,

(Signed) ARTHUR GREENWOOD,
Secretary.

II.

38, Cursitor Street, E.C.4.
May 26, 1921.

Dear Sir,—We are obliged by your letter of the 24th inst. and note that a Committee has been set up to inquire

into what is generally known as the Douglas-NEW AGE Scheme.

This Scheme has two quite distinct aspects: one is social, and is concerned with the results of putting it into operation; and the second is technical, and is concerned with its feasibility, and the theory on which it is based.

Before accepting the invitation contained in your letter, we should be glad to learn from you:

(a) Which of these is the subject of your inquiry.

(b) The full personnel of the Committee. In any event, we regret that the short notice of your meeting makes it impossible for us to be present on the date you mention, as we have a prior engagement.

Yours faithfully,

C. H. DOUGLAS,
A. R. ORAGE.

III.

34, Eccleston Square, S.W.1.
May 27, 1921.

Dear Sir,—Thank you for your letter of the 26th inst. The Committee which has been set up is concerned with both the theoretical and practical side of the Scheme.

The members of the Committee are as follows: C. D. Burns, F. C. Clegg, G. D. H. Cole, H. Dalton, A. Greenwood, J. A. Hobson, F. Hodges, C. M. Lloyd, Sir Leo C. Money, R. H. Tawney, S. Webb.

I regret that you are unable to attend the next meeting of the Committee, but I hope that it may be possible to arrange a later date which will be convenient.

Yours faithfully,

ARTHUR GREENWOOD,
Secretary.

IV.

38, Cursitor Street, E.C.4.
May 28, 1921.

Dear Sir,—We are obliged by the receipt of your letter of the 27th inst.

You will agree that the value of a pronouncement of such a Committee as is contemplated by your terms of reference, in connection with a Scheme which admittedly has far-reaching implications, is dependent to a large extent on its composition.

Without in the least questioning the qualifications of the gentlemen whose names are covered by your letter, to pronounce on the social aspects of the Scheme if put into operation, it will not, we suppose, be contended that, with the exception of Mr. Hodges, they have any of them:

(a) Any direct knowledge of coal-mining, the exemplary case to which the Draft Scheme applies.

(a) Any experience either of the concrete problems of business management, or of the operations of practical finance.

Further, a number of the members of your Committee, as at present constituted, are, by their pronouncements on the Labour Committee on High Prices, already pledged

(Continued on page 2).

The Uncheerful Ring

THOUGH FULL EMPLOYMENT IS OF COURSE THE THING
IT'S NOT A BELL THAT HAS A CHEERFUL RING.

—A. P. Herbert, in *Sunday Graphic*, February 2.

"While camping with an old Indian in the redwoods in Northern California, where I had been in search of the finest groves, many of them being threatened by the axe, suddenly over the camp fire one night, almost out of the blue, the old Indian remarked, 'Plenty men no get work; there'll be plenty forest fires this summer.' He was a man of few words; in fact for the previous three weeks we had spoken little, most of our intercourse being carried out by signs. This remark, therefore, caused me to think very deeply. Under the existing regime in those days [immediately before the installation of the Roosevelt administration] men were employed at the rate of five dollars a day to put out forest fires, casual gangs were taken on, and no sooner was one fire under control than another would spring up, so that such men would have almost continual employment throughout the summer months. Did the old Indian mean to imply that 'poor whites' needing employment would set fires going to keep the gangs employed? I remembered that in Canada I had been told that the Forestry Department had abolished payment for casual fire-fighters, and had thereby reduced fires by over fifty per cent.—RICHARD S. BARBE BAKER, *Green Glory: The Story of the Forests of the World*, Chapter on U.S.A.: "A New Sahara," p. 59 (London, 1948).

"I met hundreds of distracted farmers from the U.S.A. They had come from the New Dustbowl. Many of their farms had been buried by the drifting sand, or the top-soil had blown away, making it impossible for them to grow any sort of crop. They had heard of the deep, rich black loam of north-western Alberta, and were moving north to continue their nefarious work of wheat-growing and ultimate destruction."—*ibid.*

"We [the author and Franklin D. Roosevelt, then Governor of the State of New York] discussed the truly alarming problem of unemployment. . . . 'Do you know that you can give immediate and direct employment to 250,000 young men in Forestry? And his quick reply was 'Couldn't you make it 300,000' . . . I told him of my sojourn in the redwoods and what the old Indian had said about unemployment and forest fires . . . at that moment, like a flash, Roosevelt caught the idea which later brought the Civilian Conservation Corps into being."—*ibid.* pp. 61—62.

Jews in Parliament

According to *The Jewish Chronicle* for March 3, 23 Jews were elected to the new House of Commons in comparison with 30 in the old. The newspaper gives the list, with biographies, as follows:—

Austen Albu, John Diamond, Maurice Edelman, Mont Follick, Barnett Janner, George Jeger, S. W. Jeger, Leslie Maurice Lever (new member), Norman Harold Lever, John Lewis, Lt.-Col. Marcus Lipton, David Mack, Ian Mikardo, Lt.-Col. Harry Morris, Maurice Orbach, Emanuel Shinwell, Julius Silverman, Samuel Sidney Silverman, George Russell Strauss, Barnett Stross, Moss Turner-Samuels, K.C., David Weitzman and Lyall Wilkes.

The names are also given of 45 unsuccessful Jewish candidates, an asterisk denoting membership of the last House of Commons, as follows:—

Ainley, B. (Com.), Manchester, Blackley; Alton, Major B. (L.), Wandsworth, Putney; *Austin, H. L. (Lab.), Stretford; Bender, A. (Com.), Islington, S.W.; Benenson, P. (Lab.), Wandsworth, Streatham; Bennett, M. (Com.), Sheffield, Hillsborough; Berwin, S. J. (L.), Wakefield; Birk, Mrs. A. (Lab.), Ruislip, Northwood; Caplan, L. (C.), Kensington, N.; Caplin, M. (L.), Manchester, Gorton; Cohen, D. (Com.), Paddington, N.; Cohen, L. (Lab.), Hastings; Daiches, L. H. (L.), Edinburgh, S.; Dale, Lt.-Col. L. M. (L.), Greenwich; Duchin, E. (Lab.), Worthing; Ellenbogen, G. (L.), Southgate; Freeman, D. A. (L.), Fife, E.; Geffen, L. (Lab.), Yorkshire, Thursk and Malton; Gluckstein, Col. L. H., K.C. (C.), Nottingham, E.; Goldblatt, D. (L.), Essex, Colchester; Goodhart, P. C. (C.), Durham, Consett; Gorsky, Dr. A. (L.), Cities of London and Westminster; Harris, Sir P. (L.), Bethnal Green; Heinemann, Miss M. (Com.), Lambeth, Vauxhall; Hore-Belisha, L. (C.), Coventry, S.; Levy, Dr. N. (Com.), Middlesborough, E.; Lewis, B. (Lab.), Wembley, N.; Lewis, P. (L.), Essex, Epping; *Lipson, D. L. (Ind.), Cheltenham; Michaelson, D. (Com.), Willesden, W.; Mishcon, V. (Lab.), Leeds, N.W.; Murray, M. (Lab.), Kent, Folkestone and Hythe; Myer, S. M. (L.), Paddington, S.; Needoff, S. (L.), Salford, E.; Phillips, P. (L.), Stoke Newington and Hackney, N.; *Piratin, P. (Com.), Stepney; Quas-Cohen, K. (C.), Manchester, Cheetham; Ramelson, B. (Com.), Leeds, N.E.; Rose, A. (L.), Wandsworth, Central; Sandelson, N. D. (Lab.), Kent, Ashford; *Segal, Dr. S. (Lab.), Preston, North; Shinwell, M. (Lab.), Somerset, Yeovil; Silkin, J. (Lab.), St. Marylebone; *Solley, L. J. (Lab., Ind.), Essex, Thurrock; Solomon, Lt.-Comdr. M., M.B.E., D.S.C. (C.), Stepney.

REALISTIC CONSTITUTIONALISM

(Notes for an Address to the Constitutional Research Association at Brown's Hotel, Mayfair, May 8, 1947)

by C. H. DOUGLAS

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