

THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

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From Week to Week

Maclean's Ottawa Editor, Blair Fraser, writes in the issue of that journal for February 15 that it wouldn't surprise him to see Social Credit "(which has never run a candidate in B.C., let alone won a seat) sweep the province at the next election." The opinion is not Mr. Fraser's own but that of "a leading Progressive Conservative." A cartoon depicts "a dark horse gaining on the outside, while the erstwhile stablemates [Lib. Con.] slug it out."

A *dark* horse? We should say practically black. Otherwise, why not? Before long we see ourselves running a campaign to defeat "the only thing 'We' fear(ed), now locked in 'Our' embrace"—'Social Credit.'

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Australia, whose imports are cut to a half, is also the victim of recurrent shortages of potatoes, milk, meat and butter, attributed to the transference of workers from agriculture to industry and to excessive immigration. If these movements had not some less immediate objective, a real optimist might be a man who looked forward to the early demise of factory production altogether and the liberation of mankind from the shackles of the centuries of 'progress.'—But it looks as though 'the less immediate objective' must come first. (We write of the miseries of antipodean existence rather than of our own, because, for the moment and a few ensuing hours, they are mercifully hidden from us.)

• • •

Of the "World University Service (British Committee)" we know absolutely nothing excepting that it (or he, or they, as the case may be) invite us to a "National Conference" in Staffordshire in April.

The usual accompaniment, "talks, discussions, excursions, film shows, concerts, socials" detracts from rather than augments the 'Service' which unknown benefactors have in store for us, if we would but send them the modest sum of £4 17s. 6d. Yet we cannot deny that we are moved to curiosity by a new note in the propaganda—can it be a concession to current taste? A new fashion? Does internationalism pall? We read:

"The university community is traditionally 'internationally minded,' yet today it includes some of the world's most intense nationalists. Newspapers contain frequent reports of student nationalist demonstrations in many countries.

"Should universities be 'patriotic' and 'defend national cultures'? Is the development of higher education possible

without true 'national independence'? Are the views of the 'nationalists' and 'internationalists' contradictory? How far should universities be 'regional' in their outlook, and how far should they be 'international'?"

"These are some of the topics . . ." *etc.* "Prominent national speakers from Scotland, Wales, Middle East, Asia, West Africa, *etc.* and from international organisations will discuss 'Why I am a Nationalist (or Internationalist),' and similar themes."

Who do you think will "win"?

"The Monopoly of Credit"

On the initiative of Social Crediters in the North of Ireland, copies of "The Monopoly of Credit" by Major C. H. Douglas have been sent to back-bench Members of the House of Commons to the number of 503, the Prime Minister and Lord Salisbury, 505 in all.

By arrangement, a copy of the following letter from the Social Credit Secretariat, dated March 12, accompanied each copy of the book:—

"In view of the present state of the country's indebtedness abroad, and the restriction of credit at home, the enclosed book—made available by the generosity of a number of individual supporters—is sent to you and to other Member of Parliament who are members of a major political Party.

"First published in 1931, this third and revised edition of 'The Monopoly of Credit' has only recently been reprinted.

"The correctness of Major Douglas's thesis regarding the nation's credit position and its root cause, seems more strongly confirmed by the events of every year since it was first put forward 1918. The great weight of private opinion unshakably behind it suggests that Members of Parliament may wish to form their own judgment of its relevancy to the present difficult situation."

For correct information concerning the Constitution of

THE SOCIAL CREDIT SECRETARIAT,

Social Crediters and others are invited to apply for the Statement published in July, 1949 (*postage 1d.*)

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PARLIAMENT

House of Commons, February 25, 1952.

Ministry of Food (Pigs)

Mr. Gerald Nabarro asked the Minister of Food the reasons for the continued retention of restrictions upon the owner-rearing and subsequent owner-consumption of pigs reared on the owner's premises and fed with the owner's swill.

Major Lloyd George: Regulations are necessary to maintain the general rule that all pigs must be slaughtered for the ration. The working of the arrangements is always carefully watched and will be reviewed again this spring.

Mr. Nabarro: But does my right hon. and gallant Friend realise that there is a close association between the identity card and the Regulations governing the slaughter of a pig, in that both of them are an infringement of the rights and liberties of the subject? Why should not any householder who wants to raise a pig, feed a pig, kill a pig, and eat a pig not do so without Ministerial dispensation?

Major Lloyd George: There is one important point which arises out of that. Much as we all desire what my hon. Friend wants, the fact is that there is not sufficient feeding stuffs at present to ensure that this could be done without certain restrictions.

Mr. Nabarro: My Question asks why the owner should not feed a pig with his own swill.

Major Lloyd George: It would not be a very fat pig if it was fed on swill alone.

Dr. Barnett Stross: Does not the right hon. and gallant Gentleman agree that in all these cases it is desirable that the local authorities should be able to inspect the pigs when slaughtered, whether they are privately owned or not, in view of the fact that the owner who has fed and reared the pig does not know if it is diseased when he kills it?

Major Lloyd George: They are, in fact, expected to do so.

Telephone Service (Termination of Agreements)

Brigadier Clarke asked the Assistant Postmaster-General what was the cost of issuing his letter giving notice of termination agreements; and what useful purpose it will serve.

Mr. Gammans: Telephone service is at present provided under a mixed system in which charges for all calls and general conditions of service are laid down in statutory Regulations, while rental charges, minimum term of service and certain other conditions are specified in agreements with individual subscribers. Under the new telephone regulations, all standard types of service are to be provided completely under those Regulations, without any agreements. It is necessary therefore, to terminate existing agreements with subscribers (by due notice under those agreements) in order to transfer their service to the new basis. The change calls for no action on the part of existing subscribers and the new Regulations will not affect present charges.

Detailed costs are not available of sending the letter to subscribers but the total cost of the change-over to the new system is estimated at about £300,000. If the old system

were maintained, the making of fresh agreements, whenever a change became necessary in the charges or conditions of service, would have cost much more than this. The new system will make it possible to avoid all such expenditure in future.

Eggs

Mr. Nabarro asked the Minister of Food what part of the shell-egg consumption of the United Kingdom, during 1951, was imported and what part home-produced.

Major Lloyd George: Of the controlled supplies of eggs consumed in the United Kingdom during 1951 about 23 per cent. were imported and 77 per cent. home-produced.

Public Service (Communists)

Sir Wadron Smithers asked the Prime Minister if in view of Communist infiltration, he will introduce legislation to make all persons employed in national and local government take an oath of allegiance to the Queen, on the lines of the oath taken by Members of Parliament.

The Prime Minister: I am not aware of any sufficient reason for this change.

Sir W. Smithers: Does not the Prime Minister think that action should be taken soon to stop this Communist menace, which is the root of all our troubles? Does he not realise there is no difference in principle between Socialism and Communism?

Mr. H. Hynd: Will the Prime Minister undertake to see that before anyone is allowed to take a solemn oath of this kind he will be found to be in a fit state to do so? [*Laughter.*]

The Prime Minister: I have not got the point of this hilarity. I very much doubt whether it is the Communists in this country who are at the root of all our troubles. They certainly have a large measure of assistance from fellow-travellers and others who give sympathetic aid to their views.

Agriculture (Toxic Chemicals)

Mr. Gooch asked the Minister of Agriculture whether his attention has been drawn to the desirability of introducing legislation dealing with the use of toxic chemicals in agriculture; and what action he proposes to take.

Sir T. Dugdale: Yes; but I cannot yet say when it will be possible to introduce such legislation.

House of Commons: February 29, 1952.

Companies Bill

Order for Second Reading read.

Sir John Barlow (Middleton and Prestwich): I beg to move, "That the Bill be now read a Second time."

... The purpose of this Bill is to permit the issue of shares of no par value and permits the conversion of existing stocks and shares into shares of no par value. I emphasise that it is not obligatory to do so in any way. It is purely a permissive Bill for those who wish, for various reasons, to

do so. If no one wishes to take advantage of this, no one will have to do so. . . .

. . . As the House knows, the present company law demands that when shares are issued they shall have a nominal value, that is, the value at the time of issue, printed on the certificates. It is frequently a pound, or it may be 10s., half a crown or two shillings. It may be anything, but it has to have the value printed on each certificate. I suggest that some shares are worth their face value at the time of issue, though many are not, and that after the time of issue it is a matter of coincidence if they are ever equal to that actual amount again. They will probably ever after have a value more or less fluctuating but never identical to the figure written on the certificate.

That creates much confusion in the minds of the less experienced investors. Many people suppose that because £1 or 10s. is written on their certificates, the real value of the shares has some relation to that figure, whereas we all know that there is frequently no relation whatever. It would be much easier for the small inexperienced shareholders to realise what they are doing if shares were of no par value.

I will give two examples. A few months ago the General Electric Company issued £1 shares at 55s., and I think they pay 15 per cent. dividend. That would be a yield of about £5 9s. per cent. It is not easy for an inexperienced man quickly to estimate what the yield is on the price of the shares either at issue or at their subsequent value.

It is perhaps even more difficult in the case of a share of 12s. 6d. nominal value standing at, say, 48s. 6d. with a dividend of 37½ per cent. It is very difficult for an inexperienced man to see easily and quickly what the yield is on the present market value of the shares. When the dividend is always related to the original nominal value of the shares, it lacks reality for the ordinary small investor.

Shares of no par value do not have a dividend expressed in terms of a percentage; they have a dividend expressed as a cash value, and in the second instance which I have mentioned the dividend, instead of being expressed as one of 37½ per cent., would be about 4s. 8d. per share. It is very much easier and simpler for small inexperienced investors, of whom there are millions in this country, to see and understand exactly what they were doing. . . .

Mr. Norman Smith (Nottingham, South). . . . It seems to me that this Bill has been drafted with an eye on what is possibly the most important characteristic of our age in all that appertains to company finance. I think it is demonstrable that there is less disposition on the part of investors to take risks and put up their money for risky enterprises than there has been for a very long time.

I believe that has nothing to do with politics but is mainly the outcome of technological developments which have been of such a character as to insist that the productive plant should be on a physically far greater scale than heretofore in history. No handful of enterprising men meeting in the saloon bar of a public house could decide nowadays to put up £1,000 each to start a steel works. For technological reasons, a steel works is so big that somehow or other the financing has to be done in another way. It is of the essence of the era in which we live that large-scale industry has found a method of financing developments

without calling upon people to put up risk capital. The hon. Baronet's Bill would have the effect of concealing the operation of this important economic factor.

I would not say that the promoters of the Bill are concerned with the interests of shareholders. I do not believe they are. We live in the epoch of the managerial revolution. I would say that this Bill is the outcome of the managerial revolution. It is designed to conceal the operations of industrial managers and financial manipulators who proceed in this way to get the capital which they want for expanding their industry. Undistributed profits become more and more important as the years go on. Undistributed profits under this Bill could quite easily be capitalised, because the hon. Baronet was careful to put in a proviso to Clause 7 which reads:

"Provided that nothing in this section shall prevent the issue of common shares to members of a company in connection with the capitalization of its reserves."

I think it is pertinent to ask where these reserves come from, which this Bill would enable to be capitalised, without anybody knowing, in so easy a fashion. There is in my constituency a very large, well-known and important company which makes most efficiently consumer goods. I have discovered that the finances of that company are mysteriously typical of the finances of most other companies of like size and character inasmuch as this happens: for every 13d. of realised trading surplus, that company pays 7d. to the Exchequer, leaving the directors 6d. to play with. Of the 6d. the directors pay 1¾d. to the ordinary shareholders; 4¼d. is held as undistributed profits and spent on extending the physical plant of the company. That is the important thing—spent on extending the physical plant of the company.

Mr. R. Maudling (Barnet): Was not the undistributed Profits Tax introduced by the previous Government designed precisely to get companies to do that as much as possible?

Mr. Smith: Yes; but I think the hon. Member is omitting this. My hypothesis related to 13d. surplus available, and the surplus available is at the disposal of the directors. The 7d. goes into the Treasury anyway, and the directors have the rest of it to play with. They spend to a great extent on money which they have got, not from risk-taking investors but from consumers and customers—by overcharging consumers and customers, charging them too much for the retail goods, not in order to give a hefty distribution to the shareholders but in order to extend the physical plant. The physical plant of companies is being extended in this way at the expense of the consumers, who are overcharged and made to pay too much.

Mr. Jennings: Surely that is not correct, by and large? Companies have built up reserves over the years by putting back legitimate profits instead of taking them out of the company. These reserves which my hon. Friend the Member for Middleton and Prestwich (Sir J. Barlow) wants to deal with in this way consists of money which has been left in the company to build up that company from small beginnings. It is unfair to say that the customer has been overcharged.

Mr. Smith: The hon. Member for Hallam (Mr. Jennings) has certain qualities of plain speech and straight thinking which render his interventions in debate, to me at any rate, always most attractive. The difference between

(continued on page 6).

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Saturday, March 15, 1952.

The (Half) Truth

"Doubtless you are worrying what about Mr. Butler. . ."

True!

"But ask yourself this question: 'How much am I personally responsible for the crisis?'"

"That question deserves an answer—a really honest answer."

True!

"The cost of almost everything one needs to buy is too high."

Everything!

"Right through industry you will find examples of two, three and even four men doing work which could and should be done by one man."

"That puts two, three, or four times the labour cost on to the price."

True!

"We have allowed to become dangerously prevalent the fantastic idea that it is no longer necessary for men to work. That they merely have to put in an appearance at their place of work."

But Not 'The Busy Rich'

"Partly this false philosophy of life is an inevitable consequence of years of economic nonsense talked by union leaders and irresponsible politicians."

And Newspapers

"But much of it is due to over-taxation."

True!

"High taxation is made necessary in Britain today. . ."

True!

"because the cost of running the country is too high."

"Running the Country"?

"Chipping a bit off one tax and sticking a bit on another will never get taxation down to a level that does not curb a willing man's desire to work and 'get on.'"

True!

"We must hack this over-grown bureaucracy down to a reasonable size."

True!

"To do that we must change the system by limiting bureaucracy's functions and letting the citizen do more of his own business and shape more of his own life."

And Not Only Bureaucracy's

"None of us has enough money. But none of us is likely to have enough money until we realise as individuals that this is a personal crisis of our own, not fundamentally a financial crisis, but a reflection of something wrong with our own minds."

Or, "How Many Beans Make Five?"

The citations are from *The Sunday Express*.

Revolt?

According to *Human Events* for February 27, "The Pentagon is anxiously contemplating a fact which is fast becoming more than an interesting fact, indeed is evolving rapidly into what is called a 'situation.' It is verily a situation of terrifying implications to the United States. The fact—known to few outside the State and Defence Departments—is that the governments of no less than nine foreign nations (supposedly of impeccable anti-Communist nature) have flatly turned down offers of the U.S. arms aid. We regret that we have been unable so far to extract from our Pentagon sources the names of seven of these nine nations. All we know is that there are nine. But two are known to the public—or would be if the news stories concerning them were not relegated to back pages or otherwise muffed."

The two mentioned are Indonesia and Mexico. A report from Ottawa is quoted that the Soviet diplomatic mission there has cancelled a propaganda campaign promising Canada peace, friendship, trade and "independence from the United States."

The distinction of Homer seems to have arisen (in part) from the fact that he had only one Trojan horse to write about. What, we wonder, would happen if "The . . . States" gained independence from "The . . . States"?

"The Social Crediter" Indexed

As our readers well know, occasional volumes of *The Social Crediter* have been followed by publication of an index, the continuous provision of which has been impossible owing to various causes.

Some time ago, Mr. Kenneth Macdonald, of Melbourne, Australia, wrote saying he had prepared an index of Volumes 1 to 14 and sent us a bound copy, which is a monument to patient industry and of great value. Mr. Macdonald has now extended his index to cover all the volumes up to Volume 18, "rather than leave the task uncompleted in the way in which I had started it. . . I have nearly completed Volume 22, and hope to bring myself up-to-date in the next few months, and will let you have the result in groups of four volumes at a time as they are completed. When I am up to date, I shall try to let you have them volume by volume."

We publish this information to acknowledge gratefully a signal service and to let readers know that an index exists, or is in course of preparation, though we cannot print it.

Niebuhr on Destiny

by H. SWABEY.

The counter-Renaissance or neo-Reformation of Karl Barth (one of whose works is entitled *Nein*) has, in Dr. Niebuhr's words, "affected the thought of the Church profoundly, but only negatively." It has affected the thought of Niebuhr, and particularly when he commends the tolerance of the seventeenth century, for he does not enquire what that century was tolerant of. A less enthusiastic view would descry the entry of Dutch Finance, Usury and certain foreigners into the affairs of Britain, and would hesitate to take too seriously the pious claims of their patrons. The contemporary poem, *Hudibras*, suggests otherwise: it is by Samuel Butler, who died in 1680, and a few lines of it give the other side of the picture:

" . . . Presbyterian true blue. . .
Such as do build their faith upon
The holy text of pike and gun."
" The Independents. . .
Were free of ev'ry spiritual order
To preach, and fight, and pray, and murder."
" For Presbyter and Independent
Were now turn'd plaintiff and defendant."

Nevertheless the second volume of these Gifford Lectures, called *The Nature and Destiny of Man*, gives much fuller attention to the Christian doctrine of Love. This does not prevent him from levelling the charge of "spiritual imperialism" at Anglicans owing to their insistence on "order," and the charge of "imperial corruption" at all "forms of political justice and social organisation."

Dr. Niebuhr complains that Emil Brunner, another of the New Theologians, "knows no middle ground between perfect love and legalism." But he probably fails himself to draw the right distinction between legalism and Law and has rather a cool attitude towards the classics (even St. John has a Greek tendency, apparently), where the distinction is to be found between *lex* and *nomos* on the one hand, and *ius*, *fas*, *dike* and *themis* on the other. In these days of many laws, his objection to "the policy of adding law to law" is valid enough, but his complaint of "the essential weakness of law as the disclosure of the divine purpose in history" displays a lack of faith, or at least an ignorance of the common law. He does not, however, commend the Cromwellian Winstanly whose "idea is that sin comes into the world through the rise of property. His . . . theory makes him the real progenitor of the Marxist interpretation of history."

Niebuhr calls equality a transcendent principle, and stigmatises as *unchristian* the following interesting words of Brunner: ". . . The egalitarian ideal does not arise out of reverence for the Creator but out of the desire to dictate to the Creator how things ought to be."

But the final dissertation on the need for a balance of power is full of interest. Curiously enough, the Holy Trinity is not mentioned in this connection, or elsewhere in the work. And no account is taken of irresponsible power or of the kitchen cabinet pressure groups and voting blocks which must be so prominent in a politician's calculations. Niebuhr postulates "two elements of communal life—the central organising principle and power, and the equilibrium of power." He fears that the first may degenerate into tyranny, the second into anarchy, and remarks that "without a toler-

able equilibrium no moral or social restraints ever succeed completely in preventing injustice and enslavement . . . it may be taken that great disproportions of power lead to injustice."

It would appear that he has reversed the rightful positions of Policy and Administration, when he adds that "Human society . . . requires a conscious control and manipulation of the various equilibria which exist in it." Blackstone and other constitutionalists have been content with a balance of power; without requiring "an organising centre within a given field of social vitalities." Niebuhr, although he claims that the "principle of government . . . stands upon a higher plane of moral sanction and social necessity than the principle of the balance of power," luckily realizes that government is also *morally ambiguous*. And he has a fair conception of some of the dangers of power, although he quotes without much enthusiasm the following from Aristotle's *Politics*: "That state in which the law is subject and has no authority, I perceive to be on the highway to ruin; and that state in which the rulers are the inferiors of the law has salvation."

There was evidently a mediaeval political as well as religious synthesis, and Lord Acton regarded Aquinas as the "fountain of democratic theory." Niebuhr will not quite allow this, owing to the failure of this "moderate mediaeval constitutionalism" to place its power "under continued popular scrutiny."

We may agree that the phrase, It is by sin that they die, is "a very apt description of the death of civilizations," and when the insights of *T.S.C.* into some aspects of sin are considered, ("let us suppose that entropy is the up-to-date word for Original Sin") the phrase is topical. It is to be hoped that the relation of New Theologians to entropy may yet be clarified.

"The True Lion"

Following are extracts from "Tour in England, Ireland and France: In the Years 1826, 1827, 1828 and 1829, in a Series of Letters by a German Prince," the original German Edition published in 1830-31. First English Edition 1832. New and Revised Edition 1940 (Massie Publishing Company, Zurich):—
October 7, 1826.

How could I leave the City without visiting the true 'Lion' (the English expression for anything extraordinary)—the sovereign,—in a word, Rothschild?

I found him, too, in a poor, obscure-looking place (his residence is in another part of the town) and, making my way with some difficulty through the little court-yard blocked up by a waggon laden with bars of silver, I was introduced into the presence of this Grand Ally of the Holy Alliance. I found the Russian consul in the act of paying his court. He is an acute, clever man, perfect in the part he has to play and uniting the due respect with a becoming air of dignity. This was the more difficult, because the very original aristocrat of the City did not stand much on ceremony. On my presenting my letter of credit, he said ironically that we were lucky people who could afford to travel about so and take our pleasure; while he, poor man, had such a heavy burden to bear. He then broke out into bitter complaints that every poor devil who came to England had something or other to ask him.

All this was said in a language quite peculiar to himself, half English, half German,—the English part with a broad German accent but with the imposing confidence of a man who feels such trifles to be beneath his attention. This truly original language struck me as very characteristic of a man who is unquestionably a person of genius, and of a certain sort of greatness of character. . . .

December 6, 1926. Mr. Rothschild had long ago invited me to visit him at his country-house. . . . The royal banker has bought no ducal residence, but lives in a pretty villa. We found some directors of the East India Company and several members of his own family and faith. I extremely respect this family for having the courage to remain Jews. Only an idiot can esteem a Jew the less for his religion, but renegades have always a presumption against their sincerity, which it is difficult to get over.

There are three cases in which I should unconditionally allow Jews to change their religion. First, if they really believe that only Christians can be saved; secondly, if their daughters wish to marry Christians, who will have them on no other terms; thirdly, if a Jew were elected King of a Christian people—a thing by no means impossible, since men far below the rank of Jewish barons and notorious for the absence of all religion, have frequently ascended the throne in these latter days.

Mr. Rothschild was in high good-humour, amusing and talkative. It was diverting to hear him explain to us the pictures around his dining room (all portraits of the sovereigns of Europe, sent through their minister) and talk of the originals as his very good friends and, in a certain sense, his equals. He concluded, however, by modestly calling himself the dutiful and generously paid servant of these high potentates, all of whom he honoured equally, let the state of politics be what it might; for, he said laughing, "I never like to quarrel with my bread and butter."

It shows great prudence in Mr. Rothschild to have accepted neither title nor order and thus to have preserved a far more respectable independence. . . .
July 13, 1828.

. . . I will first lead you to the seven sources of the Thames, which rises two or three miles from Cheltenham. . . With reverential admiration, I looked down on the gushing drops and compared them, one while with Napoleon, who obscurely born in Ajaccio, in a few years made all the thrones of the earth tremble, then with Rothschild, whose father sold ribbons and without whose assistance no power in Europe seems now able to carry on war. . . .

PARLIAMENT—

(continued from page 5).

him and me, and between his side of the House and mine, is simply this: He regards it as legitimate that customers should be made to pay what the traffic will bear. He regards as quite legitimate the essential law of business, that the price of an article is what it will fetch. We think that is unethical and amoral. We think that the price of a thing should be related as closely as possible, other things being equal, to the cost of its production. The important point is that this Bill will make it possible to conceal this sort of thing from the public. That is what we object to.

Squadron Leader A. E. Cooper (Ilford, South): I had

no intention of intervening in this debate at all, but the hon. Gentleman's argument is the most complete nonsense that I have ever heard in this House since I have been a Member of Parliament. He cited the analogy of 13d. of which 7d. goes to the Exchequer, the balance being that which he says the customer is overcharged. If 6d. is the amount overcharged, equally the 7d. which goes to the Exchequer is overcharged by the same argument. If the 7d. does not go to the Exchequer, then where is the Exchequer to get the revenue in order to provide all the social services which hon. Members on both sides of the House demands?

Mr. Smith: We on this side of the House think it is right that some of the products of industry should be taken and used for social purposes. What we object to is that they should be used for the private purposes of those who are running the managerial revolution—the manipulators of industry.

Before I was interrupted, I was saying that the way in which industry is being financed is a most important consideration. I do not object to industry being financed by an overcharge on consumers, provided that the consumers proceed to own the industry. That happens in the Co-operative movement which finances its very considerable capital expansions mostly out of its trading surplus. After all, its members do own the business, whereas in the case of private industry all this expansion puts added power into the hands of the managerial and financial class, which I, as a Socialist, resent.

. . . I want to quote from the Economic Survey for 1941. The tables there given of the extent of undistributed profits show that in 1948 they amounted to £524 million; 1949, a little less, £487 million; 1950, £569 million; 1951, estimated, £780 million. This is the bare bones of the Capitalist system and this Bill would help the capitalists to go on doing that without the public knowing what was happening. . . .

Mr. Austen Albu (Edmonton): . . . In general this Bill applies to the large public companies generally with some tens, or even hundreds, of thousands of shareholders—that property-owning democracy of which we have heard so much, the 1,250,000 shareholders in this country who are so distributed that 2 per cent. of them own more than one-third of the total shareholdings.

Mr. F. J. Erroll (Altrincham and Sale): The hon. Member will not forget the very extensive shareholding of the trade unions in industrial organisations, representative of many millions of shares.

Mr. Albu: I welcome the intervention of the Parliamentary representative of the Institute of Directors. It is a fact that the trade unions have a substantial shareholding, but I imagine that they are by statute not allowed to hold equity shares. Most of their investments are in statutory authorities, Government stock or nationalised industries, etc. There may be some cases in which they hold preference shares or debentures in private companies—I believe they used to do so in the case of the railways.

I am not denying that; it is, of course, perfectly true that a fairly large amount of the small man's savings reach the larger companies and some of the smaller companies today, through the institutional shareholders, such as the Prudential, to which my hon. Friend has referred, I sup-

pose that is the way in which most of those companies receive their capital today.

But, of course, by the way in which that capital is invested, control over the management and the efficiency of the companies and all the normal classical functions of the shareholder towards a company are exercised, not by the saver himself, but by that very small number of men at the top of the managerial society to which my hon. Friend referred, the directors of those investing bodies: the financial trusts, insurance companies, etc.

Let me return to this question of the actual structure of industry and to reply to what the hon. Member for Hallam said. I do not think it would make a great deal of difference, nor do I think that I should have any particular objection, to such a Measure being introduced if it were confined to private companies, or, rather more narrowly than private companies, to those companies in which the management, directorship and shareholding are closely associated; in other words, those companies in which the direct incentive to efficiency, enterprise, etc., is the profit which the shareholder is to get. That is very different, as we all understand, from what takes place in the large public companies to which I have been referring. . . . We have to think very carefully about this question of the public company. We are agreed that no substantial advantage to the management, or to accountants, or indeed to investors really accrues from the introduction of this Measure. The only advantage claimed for it so far has been to throw dust in the eyes of those working in the companies or those who like to criticise. I think that is completely wrong, and I support the Amendment moved by my hon. Friends for very much the same reasons as they have adduced. . . .

. . . . Before the days of very high profits taxation and before the time when the operations of the Chancellor of the Exchequer were of much more importance to public companies than even the efficiency of their management, it was the case that, taking it over, say, a seven-year period, the value of shares on the Stock Exchange was continuously rising. Everbody knows it, and the argument for investing

in ordinary shares, particularly during an inflationary period, was that if one could hang on to them long enough they were a hedge against inflation.

We on this side of the House cannot accept the view that any investor has the right to an automatic hedge against inflation not held by those who invest in gilt-edged or fixed-interest stocks. There are in that connection two different arguments. There is the argument used by the hon. Member for Hallam about private companies and about the man who goes into business and builds up his business for himself, and so on. We all accept those arguments.

There is a different set of arguments about public companies. We support the necessity for re-investment out of profits in the public companies, but what we are not prepared to accept is that it should be made any easier for the very small number of people who do invest their money in ordinary shares in public companies to be entitled to this additional appreciation to the value of their holding which is not an advantage open to those who use their savings in other ways.

It seems to be completely out of keeping with the actual nature of industry today that the theory, if it is a theory, that all the surplus earnings should belong to the ordinary shareholders should any longer be the case. One of my hon. Friends referred to the shareholders as owning the company but they do not even do that. The position about what shareholders own is not clear. It was held by no less an authority than Lord Justice Evershed, in the case of *Short Brothers* during the war, that shareholders do not in fact own the assets of the business.

This argument was used in the debate on the nationalisation of the iron and steel industry, in reply to arguments put by hon. Gentlemen opposite. What it is that the shareholders own is something which I think only a lawyer can explain, and perhaps my hon. and learned Friend the Member for Kettering (Mr. Mitchison) will have an opportunity to explain it. The shareholders own shares, giving them certain rights. If they can get a large enough number of them together each year they can call a general meeting. These rights, in theory, include that of appointing and of removing directors, which, in practice, is a right which it is almost impossible to use.

As to the profits and so on, it is perfectly true that they have the right to reduce the dividends which the directors propose, though I do not think they have the right to increase them. If the company is to be wound up, they are entitled to whatever is left after the creditors are paid.

These are very unreal considerations for the type of large public company that we are now considering. They are very real considerations for private companies, but quite unreal in the case of public companies. Anybody who cares to examine the figures of forced liquidations and bankruptcies over the last 25 or 30 years will see that the risks in managing a public company, or the risk of investing money in these companies, providing it is spread out sufficiently broadly, are very unreal indeed. The shareholders are rewarded by dividends, on the one hand, and, what is more important in relation to this Bill, an increase in the value of their shares, on the other.

It is extremely important that, if we make changes in the law relating to companies, we should make changes at

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one time, and not make these changes only dealing with one aspect or from one point of view; that of the shareholders. We have to make changes in the structure of companies which distinguish clearly between public and private companies, between a public company with shareholders who play no part in management and have no control, and private companies, particularly the private companies where the managers and directors are themselves shareholders or are closely associated with the shareholders, and where something like the classical theories of private enterprise really operate.

If we were to do that, it would be much easier for us to accept a proposal of this sort for amending company law, but I should want to point out other changes. For instance, if the arguments put forward by my hon. Friends and myself were accepted, I should want to see some form of permanent dividend limitation in public companies, and that would have to be accompanied, in my opinion, by some way of preventing the distribution of capital of the company in the form of bonus shares. It is very important that these changes should take place and that we should not allow ourselves to be fobbed off with something, as the hon. Member for Hallam said, for psychological reasons or propaganda reasons, purely because hon. Gentlemen opposite have guilty consciences about what takes place in these large public companies.

Mr. Jennings: Does not the hon. Gentleman realise that untold harm has been done by his own party in misrepresenting the whole position with regard to dividends and the return on capital, which has been going on for years?

Mr. Albu: I believe that a great deal of harm has been done by misrepresentation of the nature of companies, and I have been spending the last five or six years, and while I have been in this House, in trying to put it right.

There is no doubt at all that one form of misrepresentation is to try to pretend that all joint stock companies are of the same nature, and I am glad to see that the hon. Member for Hallam agrees with me. I think we should get a great deal further if we made a clear distinction between a private company, or company in which the shareholders and managers are really much the same people, and public managerial, bureaucratic companies, which represent something like half of the whole economy of the country. It is all very well for hon. Gentlemen opposite always to be attacking us for our nationalisation Measures, and for creating giant managerial bureaucracies, but they never say anything about those created by the large joint stock companies, with atomised shareholders who play no part in them at all.

I recommend to the hon. Gentleman that he read, for instance, a recent article on this subject by a highly intelligent French political writer, M. Bertrand de Jouvenal, in a Belgium paper called *Industrie*. In that article entitled *Vers Une Collectivisme Pluraliste*, the writer points out the true nature of these public companies today. He says, for instance, as hon. Members on both sides of the House have agreed, that the State has a very large interest in these companies and very often a larger interest than the shareholders. This applies not only in this country, but also in the United States, where the figures are almost identical. He also points out that these companies are no longer subject to control by the shareholders but by a small managerial bureaucracy.

Anybody who has worked in companies of both sorts, as I have, knows the great difference in temperament, attitude, and everything else of those companies.

For all these reasons, I feel that this Bill is too narrow and that we want a very much wider Bill. . . .

Mr. Ralph Assheton (Blackburn, West): . . . It has been in use for many years in America, as hon. Members may know. A great number of companies in America have that particular structure, and I personally think that it is quite possible that it might provide a useful addition to our financial mechanism. I only want hon. Members opposite to give the matter another thought and ask themselves whether perhaps there is not more in this idea than at first appears.

The Parliamentary Secretary to the Board of Trade (Mr. Henry Strauss): . . . The technical objections are substantial. Whether or not the Stock Exchange might be in favour of the general reform that has been argued, it is certain that they would not support the present Bill, and it is clear that, if such a reform were to be incorporated in our law, the accounts and other provisions of the Companies Act would require to be radically amended to enable this reform to be made with safety. . . . For these reasons—although there is much that can be said for it in theory—expert inquiry would be necessary before the reform could be embodied in an appropriate Measure. I could not advise the House to give a Second Reading to this Bill.

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