The “Social Credit Movement” is a convenient label which has been attached to the growing army of individuals who give their support or assent, wholly or partially, to Douglas Social Credit, and it is generally taken to include students of the subject. In this sense it will be used here, though like most labels, it covers a multitude of sins, being frequently used, in ignorance or malice, to embrace the adherents of any proposals for the reform of the financial system, and when this happens it is a source of confusion.

The word “movement” has another set of implications, as of a spirit moving upon the waters, of a yeast in ferment, set of an attempt to trace the course and the influence, the impact, of that which seemed cloudless in 1918, even though, or perhaps even because everybody believed that Britain had been impoverished by the war, but enriched, since we had ignored or partially, to Douglas Social Credit, and it is generally taken to include students of the subject. In this sense it will be used here, though like most labels, it covers a multitude of sins, being frequently used, in ignorance or malice, to embrace the adherents of any proposals for the reform of the financial system, and when this happens it is a source of confusion.

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The new kind of prophet became known as a Social Crediter, and he was propounding certain ideas which he had extracted from the writings of Major Douglas. His arguments were generally of a formidable technicality. The respectable citizen, going sensibly about his own business, tenacious of his umbrella, and priding himself on his inflexibility in money matters, cared for none of these things. If he heard about them he had no patience with them—and it is useless to blame him.

Major Douglas’s views first became public in an article in the English Review of December, 1918, to be followed by a footnote to it in The New Age of February, 1919, and in the same month he twice wrote the editorials of this paper, which was the unofficial organ of the Guild Socialist Movement, edited by A. R. Orage.

The story, however, begins properly with the first complete statement. Although the article in the English Review was published six months before his book “Economic Democracy” began to appear serially in The New Age, the book actually takes precedence in time, in its astounding completeness, and in importance.

Most of “Economic Democracy” had been written before the end of 1917, amid the distractions of war, and its length is barely 25,000 words, yet close study shows that no aspect of the vast subject1 but was touched, either fully, or in principle, or by stated exclusion. To read it after 20 years is to be amazed at its author’s complete vision of all that others have comprehended, step by step, in the interval.

The instalments of this cuckoo in the nest of Guild Socialism caught the attention of a group of economic students in the University of Sydney, Australia, led by the Professor of Economics. Two years later Professor Irving was to place two of Douglas’s books on the list of supplementary reading for the degree in Economics, and after his refusal to remove them from the list, he was to resign his post. Since that time few professional economists have openly expressed their agreement with the works of Douglas as such.

Another group of people of quite a different kind had not failed to grasp the significance of what Douglas was writing, and in the autumn of 1919 he was invited to visit the United States, where he was entertained by associates of the

1 “In other words, the aim of the human individual is ultimately a totalitarian aim; a statement which, if it is correct—that is to say if it is true that our best interests our ultimately taking a general and effective interest in everything—is, in itself, the negation of the idea of this totalitarian state.”

Schiffs and Warburgs. So far from questioning any of his premises or conclusions, this group was interested in one thing only—what was he going to do about it? On hearing that he had no immediate plans they apparently lost interest in the matter, but the sale of literature in the U.S.A. was effectively blocked and several professors of economics who showed favour to the new ideas found themselves superseded.

"Economic Democracy" was favourably reviewed in The Times, which predicted early recognition of the views expressed in it; and indeed the financial proposals were vigorously advocated by a number of people in the next three years, during which a second book, "Credit Power and Democracy" appeared serially in The New Age. At the end of this period the whole subject, which had become known as Social Credit, seemed to run into a thick fog. Public discussion of it became impossible; private advocacy was met with a baffling assertion that, while very plausible, the whole argument was nullified by an elusive fallacy, "like perpetual motion," which only "an expert" could perceive. The boycott had started. It was to last nearly ten years, so far as this country is concerned, and was complete in respect of the B.B.C. and national newspapers. Local newspapers, if independently owned, would occasionally allow some limited correspondence.

Every agitation against a strongly entrenched vested interest has to contend with a boycott more or less severe, and "Economic Democracy" directed radical criticism against the most powerful vested interests in the world—the central control of policy, carrying with it the power of patronage, and the monopoly of credit, operating through the banks, the insurance companies, and the City, to control the plain man's license to live—money. As these two vested interests are largely identical or interlocked an attack on either was amply sufficient to produce a boycott. While bitterly resenting it, no genuine movement ever loses any sleep over such a boycott, through which it is bound to break in time, as a blade of grass will split a paving stone. The fact of the boycott simply requires to be recorded, as also the fact that the first fourteen years of social credit agitation was directed almost exclusively against the money power.

Only three chapters out of the twelve in "Economic Democracy" were actually devoted to the criticism of finance. They contained a "revolutionary" analysis of the financial mechanism of production and distribution, and still more "revolutionary" proposals to remedy the defects disclosed.

By way of analysis Douglas had conducted an enquiry into the dynamics of the elusive, because relative, element in the economic trinity (production, consumption, and the financial link between them), and had discovered that the finance of production builds up costs at a greater rate than it releases purchasing power to meet them—a disparity which must grow larger with the increasing mechanisation of industry and the consequent increase in the proportion of plant costs to direct labour costs.

Such a system could work with relative smoothness only in an era of accelerating production, like the Industrial Revolution, which distributes the surplus of the capacity to achieve... But for the moment it is desirable to consider a narrower use of the word; one conveying, however, a sense which it is more commonly associated—financial credit.


CIRCULATION DRIVE

This issue of The Social Crediter is the third of a series containing articles of special interest to the new reader.

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NEWS AND VIEWS

It is stated on good authority that the Central Russian Government is becoming strongly anti-Semitic. Perhaps this is why the British Labour Party is becoming strongly anti-Russian.

The real name of General W. G. Krivitsky, whose anti-Stalin revelations are being given wide publicity in Great Britain and the United States, is Samuel Ginsberg.

Hitler's policies are stated to proceed from Professor Haushofer, an ex-Bavarian General, whose wife is a full-blooded Jewess, and is said to be a close friend of Herr Hitler. The doctrine of Lebensraum (Living-Room), which made war a mathematical certainty, is said to proceed from this source.

"Lebensraum" is the Mercantilist Theory, dressed up.

Is it really inevitable that the world should be plunged into chaos every twenty years by a gang of International intriguers?

Stella, Marchioness of Reading, refers to the compulsory billeting ramp, as "the greatest Exodus since Moses." We knew the Red Sea came into it somewhere.

"Such authorities as Borsodi have shown that, with the rise of small power plants, a specific community can, with their help in sum, actually live more plentifully—fewer work-hours will yield them a greater sum of goods—than under the present economic system."

—G. Heard, "Pain, Sex and Time."

The difference between Federal Union and Hitler and Stalin is that Britain and France were forced into war to cover up Federal Union by Hitler and Stalin. You do see, don't you?

Finance Gets Together

In answer to a question from Mr. Attlee, Sir John Simon said on December 13th: "I am glad to be able to inform the House that a comprehensive agreement has been arrived at between the British and French Treasuries which will secure, in the field of finance, a co-operation which corresponds to that already announced after the last meeting of the Supreme War Council in the other fields of activity. (Cheers.) The proposed financial agreement was the subject of discussion between myself and M. Paul Reynaud, the Minister of Finance in France, when he visited this country a short time ago; in Paris last week we were able to carry matters further and have reached a conclusion as to the arrangements necessary to carry out our purpose. I propose to circulate in the Official Report a summary of the points agreed upon, but the House may be glad to have two or three of the main features stated now.

"In the application of the principle of monetary solidarity between the two countries, it is agreed that it is in our common interest to avoid during the war alterations in the existing rate of exchange between the pound and the franc. We have further made mutual arrangements which will enable each country to cover its requirements for the currency of the other country and to utilize such currency freely as agreed between us without any question between ourselves of having to find gold. Thus, sterling held by the French monetary authorities will be available for expenditure throughout the sterling area and francs held by the United Kingdom monetary authorities will be available for expenditure throughout the French Empire. Neither Government will raise a foreign loan or credit except in agreement with or jointly with the other Government.

"Neither Government will impose fresh restrictions on the imports from the other country during the war for protective purposes or for exchange reasons. The two Governments will share certain items of expenditure incurred in the common cause, such as financial assistance to other countries and the cost of the armed forces of their Polish ally in proportions which have been worked out between us. It is intended to have frequent meetings between the two Treasuries to settle technical questions and to examine more general problems such as those of price policy in the two countries and the position of the Allied Governments as regards their resources in gold and foreign exchange. The whole arrangement will remain in force until six months after the signature of the peace treaty."

Stalking Horse Finance of this War

In the first three weeks after the opening of the war finance campaign...
THE ENEMY IN THE REAR

By JOHN MITCHELL

"Industrial power will win the war. Overwhelming output of armaments would shorten it with incalculable saving of life and misery," says the Daily Telegraph leader of December 5th. Yet there are at least 172,000 more people unemployed to-day than there were in August—this in spite of there being 1,250,000 under arms and 1,700,000 paid public or private A.R.P. officials to say nothing of the army of bureaucrats taking orders from the Ministry of Supply, the Ministry of Economic Warfare and other departments.

Here is one result of the policy of "PLANNING" which is the watchword of all political parties. Any unprejudiced observer would recognise at once that it represents a major defeat on the Home Front.

Individual enterprise is being swept away rapidly, and in its place a form of Socialism is being established, whereby Government departments operating through a greatly augmented civil service are virtually in control of industry.

The following quotations from Regulations nos. 55 and 62 of The Emergency Powers Act typify the autocratic nature of the powers taken by Government departments:

"55—(1) A competent authority, so far as it appears to that authority to be necessary in the interest of the defence of the realm or the efficient prosecution of war, or for maintaining supplies and services essential to the life of the community, may by order provide—

(a) for regulating or prohibiting the production, treatment, keeping, storage, movement, transport, distribution, disposal, acquisition, use or consumption of articles of any description, and, in particular, for controlling the prices at which such articles may be sold;

(b) for regulating the carrying on of any undertaking engaged in essential work, and, in particular, for controlling the charges which may be made by the undertakers in respect of any work by them; ..."

"62—(1) The Minister of Agriculture and Fisheries may, in relation to any agricultural land, give such directions with respect to the cultivation, management or use of that land as he thinks necessary or expedient for the purpose of increasing or maintaining the production in the United Kingdom of articles essential to the life of the community; ..."

One commodity after another is losing its "freedom" and being "pooled", which means that various brands and qualities are being merged into one blend. The result is in fact standardisation, and whatever label is attached to it, it is Socialism.

"Behind it all is a suspicion in some peoples' minds that the Treasury, working in concert with a few big interests, is bent on trustsification of industry, such as Sidney Webb and Philip Snowden foretold would prelude Socialism, and that the profits, or most of them, will go into the national coffers as a form of indirect taxation. It has been asserted, for example, that under the tea blending proposal the State will receive a profit of about 8d. per lb."—from a syndicated article issued from Kemsley House.

People may well be suspicious that powerful interests are working behind the scenes against the interests of the individual and the nation. There is much to make them suspicious. The Chancellor of the Exchequer, for instance, has stated that it is necessary to "borrow" £1,000 million in the current financial year to finance the war. This sum represents a quarter of the national income, which is approximately £4,000 million. No mention has been made by any Government spokesman on the subject that there could be or would be any source for borrowing this money other than the savings of the people. Yet does anyone seriously imagine that apart from a few exceptions the mass of the people can or will save a quarter of their income? If so, let them by enquiry test the theory on their immediate circle of acquaintances. Yet, on the evidence supplied by Sir John Simon himself in Parliament on November 29th, the "rich" cannot save a quarter of their income because three-quarters of it is being collected in taxation.

According to Sir John, there were 10,000 people in the country with incomes over £10,000. He said:

"Their aggregate income was £180 million. Out of that he took £120 million in taxation leaving them with £60 million."

"But that was not all. There were death duties in addition to income tax and super tax. This brought in about £40 million a year. So that we now took £160 million a year from these people who only had a total income of £180 million."

On the evidence of these facts it is clear that some source other than the people's savings is being resorted to in order to finance the war. What is it? And why is it being kept secret?

Relevant to this question is a fact realised by very few people: that by Section 24 of the Income Tax Act, 1842, the Bank of England, a private institution, was empowered to assess and tax itself with no other person or body in control.

The present authority for this is contained in the Consolidation Act, The Income Tax Act 1918, Section 68. Parts 1 and 2 of which read:

(1) "The governor and directors of the Bank of England and Bank of Ireland respectively, in respect of interest, annuities, dividends and shares of annuities, and the profits attached to same, payable to either Bank out of the public revenue of the United Kingdom;"

(2) "The governor and directors of the Bank of England and of the Bank of Ireland respectively, in respect of:

(a) interest, annuities, dividends and shares of annuities, entrusted to either bank for payment;

(b) profits or gains of either bank chargeable under schedule D;

(c) all other interest, annuities and dividends, and salaries and pensions payable by either bank; and

(d) all other interest profits chargeable with tax arising within any office or department under the management or control of either Bank."

This is evidence that the Bank of England has power over the Government, since it can exact such important
concessions, and also that it desires to hide something.

The truth of the matter is, of course, that the vast sums of money which are accumulated into the National Debt are, in fact, credit money created and subscribed by the Bank directly or indirectly through its satellite financial institutions. It is this institution which has power to grant or withhold credit and to direct to whom it is to be loaned; that can make or break both governments and individual businesses. It is to this institution that huge sums are paid annually out of taxation in loan charges. It is to this institution that munition makers, dependent on the favours of the Supply Ministry, must turn for the credit which they need before they can pay their employees or contractors.

Having regard to the centralising process which has been progressively evident since the last war, it is not surprising to find evidence in the MacMillan Report to the effect that the credit policy of the Bank always favoured large undertakings at the expense of the small business-man; nor is it surprising that the loudest criticism against the Supply Ministry is that it is piling more work on the large firms than they can deal with whilst practically ignoring the small manufacturers who rendered such valuable service in the last war.

All this is in line with Socialism by stealth, with the policy which deprives the individual of independence, and concentrates more and more power into the hands of the few.

One may be pardoned for assuming that there is a vital connection between, on the one hand, the Bank of England taking power unto itself to conceal its real income by assessing its own income, whilst on the other hand elaborate precautions are taken to create the erroneous impression in the public mind that the tremendous capital sums required by both Government and industry in war or peace are supplied out of the savings of the people, instead of out of credits created at practically no cost by the banks; an operation which it is always alleged will create ruinous inflation, but is nevertheless being done.

The position is that an enormous superstructure of private debt is being built on to the shoulders of industry and of public debt on to the shoulders of taxpayers. Probably at least 80 per cent. of the title deeds to the stock which comprises both these debts is in the possession of banks and their co-financial institutions, who are thus enabled to gain effective ownership of industry, and indeed of the property of the nation. It is easier to exercise the control which the effective ownership gives, by eliminating small producers and by reducing the numbers of employers to small numbers. This is achieved by favouring large undertakings with credits and orders, whilst at the same time promoting mergers, trusts and pools. Taxation and increased prices will pay the unnecessary loan charges on this debt, the income from which is concealed and remains untaxed. The income from the other part of the debt held by individuals on the other hand will be subjected to the highest rates of taxation.

The International Bankers by debt control through their Bank of England proceed to entrench their power by promoting simultaneously centralisation of all private enterprise and legislation embodying innumerable "CONTROL" regulations necessitating hordes of new government officials. Effective Socialism is thus progressively established, and at a suitable moment in the war or at the conclusion of the war, when the morale and energy of the nation is exhausted, the banks by restricting credits, their control of which is unknown to the public, arrange a financial collapse which their publicity will attribute to other causes. Meanwhile suitable dispositions have been made for civil strife, through the agency of which, á la Russe, Bolshevism endeavours to seize its chance and capture power.

This appalling prospect can be averted only by the freeing of individual enterprise from the stranglehold of Debt Control and Bureaucracy through the implementation of financial adjustments advocated in this journal, and which are based on facts concealed from the knowledge of the general public.

JOHN MITCHELL.

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Mr. JOHNSTON GETTING WARM

A suggestion that if a seven hundred million pound credit inflation has to be created it should be done in the name of the Prime Minister and the Chancellor of the Exchequer was made by Mr. Tom Johnston, M.P., Regional Commissioner for Scotland, at Aberdeen yesterday.

Speaking "not as Regional Commissioner but as a private citizen," he said that if the Chancellor wanted a thousand million pounds to defend the country and "run the war" and if he could only raise three hundred millions by genuine savings, then the other seven hundred millions must come from other sources. He submitted that it could come only from one source—from inflation. Credits would have to be created.

He suggested strongly that while there was still time the seven hundred millions credit inflation, if it must be created, should be created in the name of the Chancellor of the Exchequer and the Prime Minister, "acting on behalf of the nation," so that the interest on these loans would be paid to the Chancellor and the Prime Minister on the nation's behalf and returned to the Treasury.

In the last war, Mr. Johnston said, thousands of millions of pounds of credits were created out of nothing—"figures in a book"—but the people who created those credits drew interest in perpetuity.

—"Belfast News Letter," December
The Key of the Door

Most readers over twenty-one, and certainly every reader of tenderer years knows about the key of the door. To be twenty-one is—something; but it would be a very small matter without the little instrument of liberty, the key. Castles no doubt there be whose protected entrances open to keys of great weight and size; these are not the key of the door—as well propose the grating entrances open to keys of great weight. And there must be whose protected entrances are 'the key of the door'.

The key of twenty-one is a front door key. The twenty-one is-something; but it would have opened but which no Recognised Economist has ever cracked—simply because to crack it has proved impossible and to open it is to cease to be Recognised, a fate which, in our imperfect world, severs professional competency from its just rewards—the most desired of which depend, seemingly, from Recognition rather from usefulness to society as a whole or competency, in the sense of being able to compete in the upholding of truth against error. The Recognised do not enter these lists, or enter them only with a broken lance (if on the right side). There is no mention of action in any form to impel representatives to represent and administrators to administer—to adjust, that is, the false and unworkable relationship which has become established in our society between policy and administration, in which the electorate decides periodically how it may best be provided with what it doesn't want but is never permitted to outline the results it desires to obtain in anything like the order in which it desires to obtain them. This is not democracy but the exact opposite, a perversion all the more perverse because it is almost imperceptible to the majority of electors.

The movements which have sprung from recognition of these facts are tall oaks of Social Credit, though admittedly not the tallest. The tree grows, and, come winter, come hail, will continue to grow; some say till the end of the world. Many readers may be astonished to find that the English Review article is, at the same time no acorn; but a sturdy growth in which the whole philosophy of Social Credit is implicit. I leave it at that.

Like most other things twenty-first birthdays appear to social creditors with an added twinge of realism (or divested of a taint of unrealism). This by no means diminishes the occasion. One might say with considerable justification that Social Credit would turn all days into birthdays and all birthdays into twenty-firsts. It is very largely the imposition of a Contrary Plan by Contrary Planners that prevents this from being the case. Inherent in the Dictatorship of Policy which the world is fighting, whether all the world knows it or not, is intense antagonism to all birthdays and to twenty-first birthdays in particular. Doubless this dark Dictatorship shares with social creditors a clear understanding of the real nature of such occasions and of the truth that every occasion might be an occasion of this kind—of the kind that is at once an end and a beginning, an arrival and a departure: that mankind could go on arriving at some desired place and go on for ever departing from it in any chosen direction, quite freely, and without consulting one's banker—If its belief in the Black Magic of the Dictatorship were so much as shaken.

Birthdays like that are man's unique experience. The objective of Planners, Bankers, Manipulators, Dictators of all kinds—the Devil in short—is to make them as rare an experience as possible. A race of being for ever arriving somewhere with the key of the door—all doors—to somewhere else in their hands would open all doors in time: golden doors and prison doors; steel doors and trap doors. Such being would as inevitably have to accept the responsibility for each forward step: each individual step and each individual responsibility going together.

The sum would be progress. Dictatorship dislikes the notion, for Dictatorship is compounded of "those who know better." The present world is the result of this "better" knowledge and, since it is not chosen but imposed, responsibility rests with those who impose it.

A peculiarity of the Social Credit movement, it may be noticed, is that it has always been twenty-one and had 'the key of the door'. Now that it is twenty-one visibly to the public eye, how does its key of the door appear to that eye? As a perfect key is probably the right answer; but to an unaccustomed lock binding a door which all the world knows must be opened. And all the world knows that on the other side are all the things imagined by curative minds in the story of human life. The prospect is too brilliant and the hand that holds the key—man's hand—trembles. Yet he is pressed upon from behind and soon he must have courage or be forever damned.

It is a fancy of mine that the cover of this journal should bear this week that hand drawn by a master who knew the language of the hand as well as the language of the head—some Leonardo. As Turgeneff once desired a meeting with Christ—such an ordinary man: a face like all men's faces—So I would see that hand drawn by a Master: the hand of all men raised in salutation to Douglas. Yes, it would be an open hand, and at the wrist no sleeve should encroach upon it.

T. J.

A Merry Christmas to all our readers.
The Delusion of Super-Production

By C. H. DOUGLAS

(Reprinted from the "English Review," December, 1918, p. 428.)

It is hardly necessary to draw attention to the insistence with which we are told that in order to pay for the war we must produce more manufactured goods than ever before—a powerful section of the Press would have the whole military, political, social and industrial policy of the Allied Governments directed to the purpose, that, when by a complete victory we have acquired control of raw material and disposed of our must dangerous competitor, we may adjust our internal differences and settle down to an unfettered era of commercial activity, from which all other desirable things will, it is suggested, proceed naturally.

There are an almost infinite number of aspects to this proposition which is not dissimilar, so far as it goes, from that with which Germany went to war: it is possible to attack it from the point of view of the historian, the psychologist, or even the physiologist. It is even possible that certain quite indispensable suffrages have still to be obtained for it. But it is sufficiently interesting to take it as it stands on a frankly material, "practical" basis, and see what are its logical consequences.

A fair statement of the argument for unlimited and intensified manufacturing subsequent to the war would no doubt be something after this fashion:

1. We must pay for the war.
2. This means high taxes.
3. Taxes must come from earnings.
4. High earnings and low labour costs can only be continued if the output is increased.

Before dealing with these points let it be thoroughly well understood that, as compared with the economic power of absorption, the world was over-manufacturing before the war in nearly every direction. If any person capable of independent thought disagrees with this statement, he will no doubt be able to explain the immense development of advertising; why the cost of selling a sewing machine, amongst many other instances, was higher than the manufacturing cost; why a new model, not novel in any real essential, appeared from most of the motor-car works each year, thus automatically depreciating the value of the previous year's fashion, and why, in spite of all these and countless more desperate efforts to stimulate absorption at home, aided by the barter of trade gin to our black brother abroad, the stress of competition to sell was daily growing more insupportable, the main pressure, of course, appearing in the guise of labour troubles, unemployment, strikes for higher wages, etc., but being quite definitely felt all over the social structure and being focussed from a national point of view in the struggle for markets; of which struggle war was the inevitable and final outcome.

Bearing this selling pressure in mind, let us consider what will be the post-war situation, assuming any reasonably early termination of hostilities, and in the absence of any radical modification in the economic structure.

It is almost impossible to form any accurate estimate of the extension of manufacturing plant which has taken place in the British Empire since 1914, but on a gold standard basis it is almost certainly to the value of not less than £750,000,000, and may be much more. To this has to be added the still more gigantic expansion of industrial America, with Japan, France and Italy by no means idle; and the fact that Germany and Austria have clearly put forth a comparable effort.

But, still more important, these extensions are largely homogeneous instead of being accretions on small jobbing plants. In spite of a number of notorious instances of bad design, the main object—repetition-production by modern methods—has been achieved, and in consequence the output per individual has gone up in must cases several hundreds per cent. and in some cases thousands per cent. And by the introduction of women into industry on a large scale the available sources of labour supply have been greatly increased.

On the whole, therefore, the plant and the organisation for manufacturing have been expanded in every great country to many times their pre-war capacity; much of this extension is easily convertible to peace-time uses; and while the raw material side of the question is rather less easy to compute it is possible that something to feed into the machines might be available for a considerable period of unlimited activity, although by no means indefinitely. Therefore it may be accepted as obvious that the factory system of the world is prepared, to a degree transcending anything dreamt of in the past, to flood the market with any article on which a profit in manufacture can apparently be made.

But absorption is a very different matter, and, in considering it, a clear idea of what is meant by the power of absorption is necessary. It is quite incontestable that the real power of absorption of the world after the war will be considerable; the repair of the devastated areas, housing schemes, power, railway, shipping, aerial and other transport problems will all require the effort and attention of civilisation, not to mention the demand for a higher standard of life all round.

But the capitalist manufacturer means by power of absorption the total money or credit value available as payment for his goods, and in the last resort this is represented by the total sum of the spending powers in cash or credit of the units of the population. The contention of the existing capitalist and financial authorities, on whom of course the responsibility for the policy rests, is that super-production would mean high wages and the high wages would mean high absorption power, and so on. Let us see.

The factory cost—not the selling price—of any article under our present industrial and financial system is made up of three main divisions—direct labour cost, material cost and overhead charges, the ratio of which varies widely, with the "modernity" of the method of production. For instance, a sculptor producing a work of art with the aid of simple tools and a block of marble has next to no overhead charges, but a very low rate of production, while a modern screw-making plant using automatic machines may have very high overhead charges and very low direct labour cost, or high rate of production.

Since increased industrial output per individual depends
mainly on tools and method, it may almost be stated as a
law that intensified production means a progressively higher
ratio of overhead charges to direct labour cost; and, apart
from artificial reasons, this is simply an indication of the
extent to which machinery replaces manual labour; as it
should.

Now, for reasons which it is hoped will be clear from
what follows, the factory cost, including management and
indirect labour, of the total factory output of any article is
always more than the sum paid in wages, salaries, and
for raw material, in respect of it. Consequently, the total
output of the world’s factory system is inevitably costed at a
figure greatly in excess of the salaries and wages which go
to the production of it. Selling charges and profit merely
increase the price and decrease the purchasing power of
money, as, of course,
casteris paribus do general rises in
wages.

In order to realise clearly this most important relation
between factory cost, and money released, it must be borne
in mind that manufacturing, or what is commonly called
production, is conversion, and just as the conversion of
mechanical energy into electricity or heat into mechanical
energy involves a dispersion, which for practical purposes is
a loss, so the conversion of manufactured articles can never
take place without a similar economic dispersion.

Obviously the balance, which is represented by this
economic dispersion must go somewhere. A little reflection
will make it clear that it represents depreciation, obsolescence,
scraped material, etc., all of which are charged to the
consumer instead of being a charge against the value of the
product.

In consequence of this the book value of the world’s
production is continuously growing more and more in excess
of the capacity to absorb or liquidate it, and every
transaction between buyer and seller increases this,
discrepancy so long as the exchange takes place at a figure
in excess of the total wages, etc., which go to the various
conversions of the product; with the result that a continuous
rise in the cost of living absolutely must take place, apart
and above that represented by currency inflation; palliated
by intrinsically more efficient productive methods, but
leading along a path of cumulative fierce competition and
harder toll to an absolutely inevitable breakdown. The
money required for public works can only be provided by
loans or taxation, a decreasing amount of which is returned
in wages and salaries; an increasing amount going to swell
the mortgage held by the banker and the manufacturer on
the effective effort of the world’s population.

The complete fallacy of the super-production argument
as it stands is apparent; it must be clear, if the
statements just made are admitted, that neither apparently
high wages nor even apparently cheap items amongst the
articles produced can evolve a social system having in it any
elements of stability whatever.

There is no more dangerous delusion abroad in the
world at this time than that production per se is wealth—it
is about as sensible as a statement that because food is
necessary to man he should eat continually and eat
everything. Production is necessary and desirable just so
long as the actual thing produced is a means to something
else which is necessary to humanity, and like everything
else the thing produced has to be paid for by effort on the
part of someone. So far from the necessity of this country
and the world, being an orgy of unlimited production, the
first need is for a revision of material necessities, combined
with sound scientific efforts, to produce to a programme
framed to meet the ascertained demands; not artificially
stimulated, but individualistic in origin whenever possible.

Such a programme might be allotted in sections amongst
the available producing centres at block prices, and such
producing centres might again contact with the whole
“effort” (i.e., staff and labour) involved, at a price to cover
the whole output; such price to include upkeep of plant,
stocks, etc. Efficiency in operation would then result in
shorter hours, and would itself be cumulative.

If such a policy can be combined with a large decentralisa-
tion of initiative, high rates of production would follow
naturally, and the individual, for the first time, would begin
to reap the solid benefits of the use of mechanism. On this
basis it would be possible to attack the second urgent
necessity, the reduction of money in any form whatever to
the status of an absolute medium of exchange.

These are not light tasks, but the alternative to their
assumption is a weary pilgrimage which may have some
very lurid passages. And in the end it may be found that
the chief crime of the capitalist was that he was such a very
bad capitalist; in that he neither recognised his assets, nor
met his liabilities.

Mrs. PALMER says

Drop Illusions and Find Reality

It so happens that Christmas is the
fourth week of our campaign to increase
the circulation of this paper. Some of
our new readers have taken it on special
terms for one month; but if they hope
to find anything in the nature of a
“Christmas” number they will be dis-
appointed.

We do not try to make this paper
“attractive” to new readers in the usual
sense of that word. If you are not
afraid of truth, and do not fear to travel
the path to which truth leads the way,
you will be attracted by The Social
Crediter in any case, and we are content
to leave it at that. This is not a com-
mercial proposition. We have too much
respect for the real meaning of Christ-
mas to sell it for an hour or two of
false security.

However, we are not averse to fairy
tales if they have a meaning, and the
time has come to retell one that has been
told before.

Five hundred years ago a band of
black magicians wove a spell which they
cast over the whole world. It took
them years to weave, for at first it lay
so lightly that it seemed but a drift of
gossamer. Heavier, thicker and darker
it grew, until at last it rested with the
weight of falling chains on many a fair
limb and strong shoulder. Heads were
bowed towards the ground until at last
the dwellers on the earth saw everything
upside down, in the reflected light that
shone upwards from below.

They were slaves.

But there was one day in the year
when the spell was broken, when it was
agreed that the fruits of the earth were
made to be enjoyed, that as little work
December 23rd, 1939.

The Social Crediter

as possible should be done, that friends should spend their leisure in laughter and song, and family love be the most precious thing in the world.

As the day drew to its close, sadness fell over the world once more. With a sigh those benighted ones murmured, "Christmas comes but once a year," and returned willingly to their state of bondage.

Last week when some of us were discussing "optimism" and "pessimism" it came to me that after all that can be said, these states of mind are twin illusions insofar as they are based on emotional reactions, or even on will-power.

While only some of the facts are known, or perhaps surmised, an effort of will may bring cheerfulness amid the uncertainties of partial knowledge, but this is of little value when every fresh discovery means readjustment. This explains the slightly cynical smile with which people repeat "Your courage, your cheerfulness, your resolution will bring us victory."

Apart from the curious change of pronoun in the sentence, they have a feeling that courage, cheerfulness and resolution need some firm foundation to rest on, so that they can change from the iridescence of optimism to concrete fact, and this is exactly what the ordinary citizen has not yet got.

While it is not suggested that all the facts can ever be known, there is no doubt that enough can be known to make uncertainty negligible. It is towards this that The Social Crediter points the way, each step being fact, so that the whole proceeds with the precision of a scientific experiment. A high standard indeed, but we are not ashamed of our recorded efforts. "Optimism" or "pessimism"—both are seen to be beside the point. Facts must be accepted as they emerge. Nevertheless, it is not very long before the student of 'social engineering' knows that there is only one means to an end. The machine must work well, and in the only possible way in which it can work before the desired result can be attained. Thus the means justifies the end, and the sense of rightness which this brings is what some might call optimism; but The Social Crediter would need a word coined to express the inherent "rightness" which lies at the head of the universe.

This is what social credit can give you; it is not "just another stunt," a mere intellectual pastime or parlour game. Moreover you cannot "take it up" for a time to see whether you like it or not, for you cannot begin to know what it is until you have made the necessary renunciation. Renunciation, yes—but of unrealities. Of courses of action based only on ideas; of philosophies based only on abstractions such as the Reign of Law, International Brotherhood, and Indivisible Peace. Let them go; they roll down the mountain side and fall into the abyss; you stand firmer and freer without them. But there is still one more to go, the last of all, the illusion to lose which may give most pain, but it must be gone through. The illusion that we know better what is good for other people than they know themselves.

Now you can set out; and before long you will know that there is no turning back except at such terrible cost that it cannot be contemplated.

So you see it is no part-time occupation to which we are calling you, nor can we make things easy. The effort you make must be commensurate with the task ahead; but just as there is only one means to this desired end so there is only one possible compensation—that the means are worth the while.

B. M. PALMER.

The Old-Fashioned Virtues

At the present time people's reactions are either very hopeful indeed—or not at all hopeful. The latter may have gone so far as to acknowledge the value of much that we have to say, but their tendency is to reply, "All this is all very well, but what can we do about it?"

Actually, although they would not express it in that way, they are paralysed by despair.

The despair that is most common among the people we meet is not of the desperate variety, but a heavy, passive thing, that shrugs its shoulders and says, "Isn't it all a hopeless mess!" and then goes off to try to drown itself at a cinema, where despair is only intensified.

The subject may, however, persuade himself that he feels better, for he has probably succeeded in adding another layer to the armour of cynicism in which he was already clad. He is becoming less and less alive.

This creeping paralysis of despair is often arrested when it comes into contact with a virile faith that something can be done to sort out the "hopeless mess."

Those of us who have the faith (or even a glimmer of it) must use it to arrest the paralysis which is so pleasing to the eyes of the enemies we are up against. (They have faith enough of their own kind—the faith that they know what is good for other people, and the more passive the other people the more likely they will be to have this good done to them!)

If anyone who is persuaded of the reality of the things which we have discussed in these pages were to do something about it, the life and light of democracy, which is growing low and dim, would brighten a little, although imperceptibly at first.

But what can one do? Very little to begin with. Some time ago an article was written which at the time I did not even understand—it was entitled "Learning to Drive." The difficulty about learning to drive is to begin; so it is with "the work." To begin, one has to make a conscious effort to do something; it may first of all be an awkwardly inserted paragraph near the end of a letter, or a remark brought into a conversation with a fellow-traveller, but the next time it will be easier. The correspondence grows, the fluency gradually increases, till in the end there simply isn't time for all that one feels one has to do.

Cynicism is still fashionable, will-power a most unpopular thing. One apologises for even mentioning the "old-fashioned virtues"; but only by their virility shall we succeed in defeating the subtle enemy in our midst,—the enemy who dopes our home forces so that the cry is "What's the use?" Meanwhile preparations are being made for shutting up democracy in a strong room—for greater safety, of course. And who knows where we shall find the key?

Against all this we need

"In thought—faith.
"In word—wisdom

In deed (however small so long as we definitely set ourselves to perform it)—courage."

J. H.
Lord Hewart says:

"method used in England. In his book the "New Despotism" is the most effective type of democracy. It is not the United States of America. In his book, Clarence mostly on the borders of the Atlantic Ocean advocates the setting up of a Constitution similar to that federating the is now an influential supporter of Federal Union in England; reported to own the premises at 44, Gordon Square, the of Kuhn, Loeb and Company, another member of which is Bernard Baruch and Paul Warburg of the well-known Arnold Toynbee the distinguished internationalist and present (ment) and present League of Nations correspondent of the New York Times, attended the Peace Conference at Paris. On this occasion he might well have met, among others, Arnold Toynbee the distinguished internationalist and present director of the Royal Institute of International Affairs, who is now an influential supporter of Federal Union in England; and it is not unlikely that he there caught a glimpse of Bernard Baruch and Paul Warburg of the well-known firm of Kuhn, Loeb and Company, another member of which is reported to own the premises at 44, Gordon Square, the London headquarters of Federal Union.

Propaganda for a Federal Union of the fifteen Democracies mostly on the borders of the Atlantic Ocean advocates the setting up of a Constitution similar to that federating the United States of America. In his book, Clarence K. Streit sets out the details of such a constitution.

He says:

"In drafting the constitution of our Union I would suggest that we take pains to avoid the dangerous conclusions all unions so far have suffered regarding what they really are... We can do this by having our pre-ambles make clearer than any union's constitution now do what we mean by union. That we men and women are constituting it of ourselves as equal sovereigns for our own individual freedoms. I would copy the early American state constitutions which with logical clarity began by stating the object for which the government was being organized, namely the Rights of Man...

"The constitution would need to make clear at the outset... that the Union is organized as a nucleus of an eventual world Union of equal men."

In passing it may be noted that there is some doubt as to whether government according to a written constitution is the most effective type of democracy. It is not the method used in England. In his book the "New Despotism" Lord Hewart says:

"In this country, the principles of the constitution are... inductions or generalisations based upon decisions pronounced by the Courts to the rights of particular individuals... Where the constitution is written out in declarations or definitions of rights, the rights of the individuals may be said to be deductions drawn from the principles of the Constitution. The contrast is vital and is to be traced to profound differences of history of temperament, and of out-look."

Under the English system it is at least far more difficult for constitutional rights to be suspended or taken away.

Mr. Streit, however, has no doubts, being of the group who saw constitutions arranged by the dozen at the Peace Conference in 1919. A constitution is a fine instrument for the (even embryonic) planner.

THE AMERICAN WAY

Mr. Streit, following the American Constitution closely, proposes a two-House Government. Members of the first House would be elected by the citizens of the federated Union and, supposing this at first to consist of fifteen Democracies, to have a House of a reasonable size, each deputy would represent a million or perhaps half a million persons. On the latter basis out of five hundred and forty deputies, two hundred and fifty two would be elected from the United States and 93 and 84 respectively from England and France. Mr. Streit notes that, owing to the Union wide working of the party system, nationals would not vote together.

The second House would consist of senators representing the individual states and either two would be appointed by 'each state, or some modification would be allowed, according to the number of people belonging to the state.

The prototypes of these are the American House of Representatives (consisting of members chosen directly by the people), and the Senate whose members represent the individual states. The working of this plan of government in the United States and the way it is cut across by the party system is shown in the following extract from the Encyclopaedia Britannica:

"Practically throughout its history the United States has been a country of two parties... lesser parties have existed, and have occasionally cast a vote sufficient to determine which of the two major parties should control.

"Political parties... soon came to control the election to local State and National offices, for in the election no one except a candidate of one of the two leading parties had or has the possibility of being elected. To-day political parties are in reality no longer voluntary organisations, but are rather organs of the Government itself, controlled in great detail by State legislation...

"The party voters in most states choose their party committee men. State laws determine the power of such committee men, and also determine the manner in which they shall form the various party governing bodies. State laws also determine how party organisations shall frame platforms.

"... parties are merely convenient devices for the operation of Government, and for presenting political issues for the voters when such issues arise... during
much of the time no real issue exists upon the basis of which parties may oppose each other. At such times parties profess principles but have no sharp differences. "When issues are altogether absent, parties still perform the function of narrowing the choice of the voter. The political expert (who is termed 'boss' if sufficiently successful) has the task of keeping the party organisation together, getting party members to the polls, and rewarding political service... Each political group has its precinct and ward committee men, who are normally on the public pay-roll (local, State, or National), if their group is in power, and whose continuance of that pay-roll depends upon their efficiency, not as public employees, but in controlling the vote of the precinct or ward...

"Furthermore, important business and professional interests in the community usually co-operate with the organisation in return for special favours. Those who come to office usually do so only after long apprenticeship in party service, which has worn off the fine edge of youthful idealism..."

"The democratic movement [i.e., the political machinery described above] in the U.S. places upon the voter the duty of electing numerous officers of whose qualifications he cannot have knowledge, and of expressing an opinion upon numerous measures of whose merits he cannot be informed. But the functions so imposed upon the voter must be exercised, and the political party has been devised for their exercise."

PRESIDENTIAL POWERS.

Mr. Streit further proposes an executive board of five persons for the highest government; three members to be elected by popular vote and the other two elected by the House of Deputies and the Senate respectively. The Board would delegate most of its executive authority to a Premier who would exercise this with the help of a cabinet of his own choosing. When the Premier lost the confidence of either of the Houses, the Board would name another. The Board would have power to dissolve either House or both, in order to call new elections. It would have power of vote similar to that of the president of the United States.

"I would make the Board commander-in-chief of the Union's armed forces, and empower it with the consent of the senate to conclude treaties and name all the Union judges."

The Supreme Court appointed by the Union would deal with controversies among member states and no disputes of this nature should be excluded from its jurisdiction; the Supreme Court should also have the power to invalidate laws as unconstitutional.

Mr. Streit has here elaborated the pattern set by his own country by the substitution of a board for the office of president and the further delegation of short-term executive duties to a premier. The device of a committee makes it impossible to place responsibility for any act on any one person who may be taken to task for it.

Let us consider the working of this machinery in the United States.

The Encyclopaedia Britannica says:

"The Federal Government... have adopted the presidential system of Executive organisation, as distinguished from the cabinet or ministerial system found in England and most other countries. The president is elected for a fixed term irrespective of whether he is or is not in political harmony with both the legislative bodies or either of them. When the country faces a crisis, as during the Civil War and the World War, the executive [president] tends to become the dominant factor in government...

"The Constitution expressly authorized the president to make certain appointments to office and the expansion of the National Administration has greatly increased the number of officers owing their appointment to him... the U.S. Supreme Court has determined that where power to appoint to office is vested in the president this carries with it a complete power to remove from office.

"The president's control over the National Executive Administration is primarily exercised through the heads of ten executive departments appointed by the president.

"The heads of these departments are popularly termed a cabinet. They are responsible to the president, and the extent to which he meets with them and seeks their advice is entirely in his hands.

"The president's position as head of a large executive organisation with wide powers of appointment and removal in itself makes the position important. The authority to veto legislation, subject to being overridden by two-thirds of the two houses, gives him a power that may be employed with effect. He is charged with the conduct of foreign affairs, though here his authority is materially crippled by the requirement that two-thirds of the senators concur in treaties..."

"The Constitution of the U.S. provides for a Supreme Court 'and such inferior courts as the Congress may from time to time ordain and establish'. For the enforcement of Federal law, Congress has provided a complete judicial system paralleling that of the States. The judges of these courts are appointed by the president of the United States, and hold their offices during good behavior. They are removable only by the cumbersome machinery of impeachment..."

"The Constitution was regarded from an early date as law of a superior order and of a more permanent character than legislation.

"Apparently the framers of the Federal Constitution were in 1787 of the opinion that it would be the function of the Federal Courts to preserve the powers of State and Nation under the Federal Constitution... the principle of judicial power to declare law unconstitutional has been established [since 1803]..."

"Where constitutional provisions are clear and precise the supremacy of the Constitution as judicially construed makes no difficulty. But where language is used that is not capable of precise definition, as that of the Fourteenth Amendment that no State shall deprive 'any person of life, liberty, or property without due process of law' the court in fact determines not only the constitutionality but also the wisdom of legislative action."

It is elsewhere pointed out that the decisions of the U.S. Supreme Court have been even more influential in enlarging Federal powers than the process of amendment.

In the case of the United States, therefore, all the measures proposed by Mr. Streit with the object of decreasing centralisation and increasing individual freedom have resulted in an increase of centralisation, a standardisation of culture and a general loss of individual characteristics throughout the States.

E. E. & B. J.
ANNOUNCEMENTS AND MEETINGS

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Published by the proprietors, K.R.P. Publications, Ltd., at 12, Lord Street, Liverpool, 2.
Printed by J. Hayes & Co., Woolton, Liverpool.