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TO THOSE WHO TOIL

While the General Council of the Trades Union Congress cries 'back' and its rank and file, together with that of the Labour Party 'forward' on Nationalisation, and while both are confronted with the steady insistence of their following upon a wages policy as the means for securing a 'share' in the fruits of improved process, the "Communist-dominated" Electrical Trades Union has been providing a display of militancy and discontent by "hitting the employers where it hurts them most," a device which seems capable of spreading and likely to do so.

These disputes are evidence that the Mond-Turner ideal of "Peace in Industry" still awaits the coping stone of universal compulsion, and are really more concerned with the choice of a personnel to apply it than with the humaner objectives of the historical Labour Movement. As the industrial correspondent of *The Tablet* says (September 5), "It is because the control of public corporations is not finally settled that trade unionists are inclined to hold their hands." The circumstances are such that it may at last dawn upon someone with initiative among the personnel engaged in the struggle that the Wages-Policy tree is a barren tree to climb. For this reason, we resurrect from the first number of *The Fig Tree* (June, 1935) Mr. Hamilton McIntyre's article reviewing the Labour Party's official views on "Socialism and Social Credit." His "Thirteen years" of "Progress" are now, of course, thirty-one. For the just aspirations of those who toil to receive the just rewards of toil, they are thirty-one wasted years.

Thirteen Years of Progress

*A Review of the Official Labour Party Publication,
"Socialism and Social Credit," 1935*

By A. HAMILTON MCINTYRE, C.A.

AUTHOR'S NOTE.

In writing this review of "Socialism and Social Credit"—a Report issued by the Labour Party last year and priced at twopence—I have had, first of all, to consider whether the subject should be dealt with at length or whether it should be disposed of in as short a manner as possible. Was it worth while to deal with the pamphlet, as it were, page by page, or should the method to be adopted be one of putting down the fundamental ideas of the authors of the pamphlet with regard to the matters under consideration, and then, shortly, contrasting these ideas with the fundamental ideas of the Social Credit movement?

My decision was taken in favour of dealing with the matter at some length, following fairly strictly the order of the Report. Whether or not the adoption of such a method makes the review more interesting I leave to the reader.

The method obviously has disadvantages, but these are possibly outweighed by the ease with which the reader may deal with the Report and this review concurrently.

INTRODUCTORY

It is stated that the Report was prepared by a sub-committee at the request of the National Executive Committee. Nothing is said about its submission to the Labour Party Conference at Brighton early in October, 1935, but it is understood that it was submitted to that conference and

was adopted. The following extract is taken from the introductory note to the Report:—

The Report deals fully with Major Douglas's "Social Credit" proposals and the National Executive Committee associates itself with the Sub-committee's conclusions on this subject. (Page 3, line 4.)

The sub-committee consisted of three members—E. F. M. Durbin, Hugh Gaitskell, and W. R. Hiskett—each of whom had, previous to their appointment, repeatedly expressed their antagonism to the Social Credit proposals. I think it is true to say, however, that no one of them, in criticising Social Credit, has ever given much indication of having really studied the main principles involved. Their criticisms have been directed largely against what is known as the A + B Theorem.

Mr. Hiskett, from one point of view, might be called the most logical critic of the Social Credit contentions regarding the gap between purchasing power and prices. He, at any rate, realises that if he is not going to accept the A + B Theorem he is logically compelled to postulate a condition of affairs where:—

The total volume of money is sufficient to purchase at one time all final products awaiting sale or in process of manufacture, all raw materials and semi-manufactures and all the machinery for future production at its present value after allowing for depreciation. ("Social Credits or Socialism."—Gollancz, 1935.)

The committee state their purpose in the following terms:—

What is the Douglas Scheme? How does it compare with Labour's policy? Are there any points of agreement between them? What are the points of disagreement, and why? (Page 6, line 4.)

As to how far the committee have endeavoured to carry

(continued on page 5.)

PARLIAMENT

House of Commons: (The following paragraphs have been omitted from our extracts from the Debates of July 15 and 22):—

Rubber (Exports to China)

Mr. Awbery asked the Secretary of State for the Colonies if he is aware that the ban on the export of rubber from Malaya to China is depressing the rubber market and adversely affecting the living conditions and wages of the rubber workers; that Ceylon is exporting large quantities of this commodity to China; that a trading delegation has just concluded an agreement with China; and if he will now remove this ban.

Mr. Lyttelton: No, Sir. I do not think that the removal of the ban would have a significant effect on the price. As regards the last part of the Question, I would refer the hon. Member to the reply which I gave to his Question on 24th June.

Mr. Awbery: Is my right hon. Friend aware that Ceylon has made an agreement with China to export 50,000 tons of rubber each year for the next five years and that recently a British trade delegation has been in China making arrangements for the exportation of 30 million tons of goods? I wish to ask the Minister if the ban was placed upon the exportation of rubber by the Colonial Office or by the Malayan Government, or jointly by both?

Mr. Lyttelton: The embargo on exports of rubber to China was imposed by the Governments of the Federation of Malaya and Singapore at our request early in May, 1951, and before the United Nations Resolution of 18th May. The hon. Member will recognise that so long as our troops are fighting in Korea it would be most improper for us to permit a licence to export rubber to China.

Mr. Awbery: But is the Minister aware that we are concerned with the post-war and post-armistice period, when the people now exporting rubber to China will have an advantage over the Malayan market? We are keen to protect the Malayan market from exploitation of this character.

Mr. Wyatt: How does the Colonial Secretary expect the people of Malaya to believe in our sincerity when we talk about giving them self-government when here is an issue on which Europeans, Malays and Chinese are all agreed, that the ban should not continue, while the Colonial Secretary insists on maintaining it against the interests of Malaya?

Mr. Lyttelton: The hon. Member will have to take a rather simpler view of this matter. It is not possible to permit the export of strategic material by a member of the United Nations when there is an actual war going on.

Mr. Wyatt: But Malaya is not a member of the United Nations.

British Films

Mr. Braine asked the Secretary of State for the Colonies whether he has considered the statement on page 84 of the Report on Development and Welfare in the West Indies in 1952, regarding the difficulty experienced in the British Caribbean Territories in getting sufficient British films of suitable quality; and what steps he is taking to improve matters.

Mr. Lyttelton: The position described in the Report has already been discussed by my Department with the Board of Trade. I understand that, in the three Colonies where quota legislation is in force, the quotas are usually fully met. The general difficulty is that American films can usually be got more cheaply than British, and contain more of the violent action type which is said to be in greatest demand.

Mr. Braine: Has my right hon. Friend seen that passage in the Report which states:

"... the episodes of sheer brutality that are portrayed on so many films in so many cinemas in the West Indies do make it legitimate to wonder whether the boards of censors, and those who appoint them, are sufficiently alive to their responsibilities."

and can my right hon. Friend discuss that matter with the West Indian Government?

Racial Co-operation

Mr. Fenner Brockway asked the Secretary of State for the Colonies if he will take the initiative in establishing an inter-racial commission, including representatives of India and Pakistan, to make recommendations regarding the steps necessary in Kenya to establish conditions of racial co-operation and peace.

Mr. Lyttelton: No, Sir. The House is aware that as soon as conditions permit it is intended to convene a conference of political leaders and representatives of all races in Kenya. This will include representatives of the Asian community resident in Kenya on whose behalf it is neither proper nor necessary that India or Pakistan should participate.

Mr. Brockway: As the Indian and Pakistani population in Kenya is three times as great as the European population, would not it be desirable that the co-operation of India and Pakistan should be secured in this matter?

Mr. Lyttelton: No, Sir. This matter raises very wide questions. The United Kingdom Government as such are not represented, nor would it be proper for India or Pakistan to take part in the discussions.

Terrorist Movement (Financial Help)

Mr. Beresford Craddock asked the Secretary of State for the Colonies what steps are being taken to prevent help, financial and other, reaching the Mau Mau terrorist movement from territories outside Kenya.

Mr. Lyttelton: There is no evidence of any assistance being given to the terrorists from outside sources. Every possible step is being taken to isolate Mau Mau gangs.

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Mr. Craddock: Has my right hon. Friend's attention been drawn to the fact that Mr. Peter Evans, who was recently deported from Kenya, stated in Bombay on 26th June that the Mau Mau terrorist movement had now reached an organised stage and that it required financial and other help from the people of the world sympathetic to its cause?

Mr. Speaker: Again I must point out to the House that the Minister cannot be held responsible for statements made by other people or that appear in the Press.

Tin Prices (Fall)

Mr. Osborne asked the Secretary of State for the Colonies if he is aware that the price of tin fell from £1,615 a ton in February, 1951, to £900 in April, 1953 and has now slumped to £585; what effect he anticipates this will have either directly or indirectly, upon the economy of our Colonial Territories; and what discussions Her Majesty's Government are having with the United States Government to prevent a general price slump in all raw materials produced in the Colonies.

Mr. Lyttelton: Yes. The fall in tin prices is bound to do considerable harm to the economies of Malaya and Nigeria, but it is not possible at this stage to estimate it precisely.

Her Majesty's Government are engaged in international discussions, in which the United States Government are also taking part about tin, rubber, sugar and cotton. These have as their object the stabilising of supply and demand and prices.

"No difficulty about that"

The World Jewish Congress has been sitting at Geneva. According to *The Times*, a leading member asked for an example of what the Congress considered its sphere of action if it was not to identify itself completely with the Zionist movement, said a line was being drawn between Israel statehood and Jewish peoplehood, while the aim of both was identical. When asked whether the present leaders of Congress, the greater part of whom are Zionists, did not find it difficult to speak at times with two voices, a leading spokesman gave an assurance that in practice there was no difficulty about that.

Conversation Piece

"The latest champions of sanity are the headmasters of Eton and Marlborough. They have written to *The Times* urging the need for most careful enquiry, if any saving is to be made on education. . . . They urge a wholesale deflation of bureaucratic officiousness. . . ."

1st young man: "In *The Times*? I didn't see that."

2nd young man: "I didn't, either. What day?"

Mentor: "When were you born?"

1st young man: "When was I born? Why, 1933."

Mentor: "And you?"

2nd young man: "I'm older than he is; 1931."

Mentor: "Well, no fault of yours that you didn't see it. It was in 1922."

The Secretariat in British Columbia

Following is the Statement of Policy, dated June 1, 1953, of The Social Credit Secretariat in British Columbia, which is in affiliation with and supports the Policy of The Social Credit Secretariat.

STATEMENT OF POLICY

We who are designated by the above title wish it to be understood that several years ago, for the purpose of disseminating Social Credit in British Columbia, a group of which most of whom were members, voluntarily applied for affiliation with The Social Credit Secretariat of Liverpool, England, and were accepted. The Social Credit Secretariat, founded and accredited by the late Major C. H. Douglas, is the recognised authoritative centre for the world-wide Social Credit Movement. Our group has recently been reconstituted as The Social Credit Secretariat in B.C., under the chairmanship of Mr. J. Vans Macdonald of Vancouver, and has been approved by the Secretariat in Liverpool as an authoritative and independent centre for information and advice on Social Credit.

As a political party bearing a Social Credit label has recently attained a marked prominence in this Province and is at present seeking a still wider basis of popular support we are making this an occasion for the Statement of our policy.

The issue of Social Credit in B.C. implies for us a very definite answer to the question, "Have the voters in B.C. a right to control their own property, more specifically their own credit, or should that be under the remote control of a small group at Ottawa, or Wall Street or elsewhere?" In our view the community has not only the right but the duty of assuming control of its own credit, financial or otherwise just as a person is under the overriding moral obligation to use and develop his own talents and to be responsible for his own actions. The obligation is nothing less than that. Thus we shall urge any government pledged to implement Social Credit in B.C. to turn a deaf ear to the pathetic "On to Ottawa" cry from Alberta and to commit itself irrevocably to acquire power to deal with the public credit in B.C. To substitute for the prospect of that immediate struggle the comforting belief that Social Credit can be established when it is voted in at Ottawa is to turn one's back on reality and to put the onus of establishing it on someone else. Just as it is a principle of Canadian and British law that the trial should take place where the offence was committed, so the issue of the control of B.C.'s credit should be dealt with on the spot, *i.e.*, here in B.C.

Apart from giving unqualified support to any government which takes steps to implement the policy outlined above, our role will be to give advice unless we know it is unwelcome, and to say of measures which are brought up to be dealt with whether we agree or not, or what ought to be done. The principle which will guide us in making these decisions will be, that the more a measure is designed to establish every man in his own right, the better it is. For this we hope to gain some measure of public interest.

(Signed) Arthur V. McNeill.

Mr. McNeill is Vice-Chairman, the other officers being Mr. J. Vans Macdonald, Chairman, and Mr. Andrew Leith, honorary Secretary and Treasurer.

THE SOCIAL CREDITER

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

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From Week to Week

The distinct change of tone in reference to Social Credit which marks an article by Desmond E. Henn in *The Spectator* for August 28 has not escaped the notice of readers of this review. Since the writer confesses to "oversimplification" of what Douglas "himself required several volumes to expound in detail," we may in turn concede that this may even cover the statement that the name "Social Credit" applied to the Alberta Government "has been retained in order to confuse matters." The vitally important point lies in what "matters" it has been retained to confuse.

"Major Douglas, the originator of the Social Credit theory," says Mr. Henn, "believed that, once the barter system has been replaced by a more intricate economy, credit is the only means by which goods and services can be interchanged—and he regarded legal tender in the form of money as being merely a conveniently tangible form of credit used in only a small percentage of commercial transactions. By their ability to create credit by advancing sums which they do not in fact possess—so the theory goes—bankers exercise a monopoly over the power to create 'effective demand,' this power being used not in the interests of the population as a whole but rather for the purpose of private gain."

Mr. Henn is doubtless innocent of any deep intention in replacing the past by the present tense in referring to the superseding of barter by "a more intricate economy," which, as an instrument of government effective in so far as it was practised, occurred in ancient times, and is not one of the Social Credit proposals.

We learn that the H-bomb may be "rigged" or "unrigged." "Un-rigged," it can cause "total destruction by blast over an area of 300 square miles. It can produce fire and severe burns over an area of more than 1,200 square miles." Cobalt, when bombarded by neutrons, turns into a radio-active element 320 times more powerful than radium, and having a radioactivity which halves itself in five years. An H-bomb encased in a cobalt jacket is said to be "rigged." According to Professor Harrison Brown of the University of Chicago, such bombs "could be set on a north-south line in the Pacific [*sic*] approximately a thousand miles west of California." The radioactive dust arising from their explosion "would reach California in about a day, and New York in four or five days, killing most life as it traverses the continent."

Professor Sir Edward Appleton told the British Association meeting at Liverpool that he feared that in seeking fresh

truths and new understandings "we may lose sight of other aspects of life which have their values too. For, you know, there is a virtue in contentment, in being satisfied with what we already have, which we shall not learn from science." Don't they prattle? Dr. Garbett says we must teach people to use new inventions properly. Will Dr. Garbett tell us what is the "proper use" for an atomic bomb? The use for which it was invented was a military use.

What is obvious about the moral predicament of which individual men of science are becoming aware is that it involves not only their own objectives (which, to speak frankly, comprise less and less every year in excess of earning a living in a manner more or less congenial to the liver), but the objective inherent in the function which is called 'scientific.' It was, doubtless, directly related to the search for Truth. That, at all events, was the claim made by scientific investigators. The claim *could have had* validity so long as scientific investigation was not a closed shop. Once the situation arises in which some 'truths' may be sought, but not others, the validity of the claim disappears completely. And that, when cost and governmental policies are the determinants, is what occurs. It has occurred. Leaving altogether out of consideration whether or not experimental methods suffice to discover Truth, the 'truths' discovered, with quite exceptional financial backing for the discoverers, constitute a body of knowledge which, whatever it is, isn't Truth. Truth is not divisible along those or any other lines. Indeed, Power, not Truth, is the objective of modern science.

Concerning the individual's predicament, we are interested in the opinion of the Dominican Prior of Blackfriars, Oxford, the Very Reverend Droston Maclaren, who told members of the British Association at Liverpool that as every truth came from the Holy Spirit it could not be evil. According to the *Liverpool Post*, he went on to say that truth about nuclear fission was good, but "when it was used for the purpose of death and destruction, then those who used it were evil."

Now where, we should like to ask, does the truth-seeking function cease and the use function begin? Who is the user in this indictment? The pilot? The bomb-sergeant? The designer? The Chairman of the Atomic Energy Commission? Does Father Maclaren draw any line of distinction? Where precisely is responsibility being attached? Are the armed forces condemned, or is it assumed that armed force is never really intended to be employed and that therefore the soldier falls into sin by mischance?

It seems to us that if there is any question of evil-doing, there should be clarity and precision in the ascription.

The *Evening Standard* infers from the fact that Lord Cherwell's name appears in the Oxford lecture syllabus for next Term that he has decided to return to the Chair of Experimental Philosophy which he occupies, and is retiring from politics.

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THIRTEEN YEARS OF PROGRESS—

(continued from page 1.)

out their avowed purpose I will leave the reader of the Report to judge. It is probably agreed that they have searched for all points of agreement; but have they made any effort to find out and disclose in the Report what the vital points of disagreement are, and why?

In view of the composition of the committee, one naturally expects the Report to be an attack on Social Credit, and so it is rather amusing to find that the Report begins by setting forth the alleged "Points of Agreement."

FIRST POINT OF AGREEMENT?

The first matter about which there is said to be some agreement is connected with the deficiency in purchasing power. It seems to me the committee suggest that Douglas maintains that there is a chronic deficiency between total purchasing power and RETAIL PRICES, or prices of goods for immediate consumption. This is illustrated by a statement in the Report that in boom periods there is a surplus of purchasing power over prices. This, the committee seem to think, disposes of Douglas's case that the money system is never self-liquidating.

What the committee do not seem to grasp or, alternatively, are quite determined to ignore, is that the Social Credit case is that purchasing power is never equal to TOTAL PRICES when both are regarded as a *flow*. If purchasing power was chronically unequal to meet the prices of consumable goods on the market at the time, the system obviously would not last for very long.

The true position may be put thus:—

(a) The rate of flow of purchasing power will be, almost certainly, less than the rate of flow of prices of CONSUMABLE GOODS when the rate of production of intermediate and capital goods is slackened.

(b) The rate of flow of purchasing power will, almost certainly exceed the rate of flow of prices of CONSUMABLE GOODS when the rate of production of intermediate and capital goods is accelerated.

(An inflationary rise of price and the investment of excess profits must be mentioned here—it is embraced in the A + B Theorem).

(c) The rate of flow of purchasing power will always be less than the rate of flow of TOTAL PRICES. One might possibly add here a proviso to the effect that this may not be so during momentary periods of wholesale bankruptcies and losses.

Even then, however, the deficiency will only be deferred. Industry must recover its bad debts out of future prices, and losses must be restored by future profits. In other words, bankruptcies and losses are themselves a cost against the future.

That the committee hold, or pretend to hold, the idea that Douglas alleges a chronic deficiency between purchasing power and prices of goods for consumption, is further illustrated by the following quotation:—

During the boom, he (Douglas) admits the gap is temporarily filled, but only by the creation of additional debt to the Banks. This is, to Major Douglas, evidence of deficiency. (Page 9, line 2.)

The above is rather an extraordinary comment. Commonsense would indicate that industry does not get into debt unless it is unable to pay its costs from its income, so that the fact of a creation of an additional debt to the banks should, in all commonsense, be evidence of deficiency. Yet

the committee seem to think that this particular statement of theirs strikes a mortal blow at Social Credit.

SECOND POINT OF AGREEMENT?

The second point of agreement is stated to be the common objection to destruction and restriction schemes as a cure for economic depression. This is a point of agreement, without doubt, but the Report goes on to say that both Socialists and Social Crediters

recognise the schemes for what they are—monopolies which aim at holding up prices and squeezing the utmost from the consumer. (Page 9, line 31.)

I should hesitate to say that this sentence expresses a point of agreement. There is just a subtle distinction which illustrates the difference in outlook between a Socialist and a Social Crediter. The Socialist sees in the situation the results of greed, extortion, profit, and so on. The Social Crediter sees the results of faulty arithmetic. The Socialist sees an evil Capitalist extorting money from the worker. The Social Crediter sees a harassed business man trying his best to square his accounts.

THIRD POINT OF AGREEMENT?

The third point of agreement is stated to be a common attitude to certain moral aspects of the banking system. Reference is made to bank credit functioning as money and the power of the banks to create and cancel money. The Report then goes on to say:—

These facts were not discovered by Major Douglas. They are to be found in all orthodox writings on the subject and are clearly stated in the pages of the Macmillan Report, but Major Douglas and other monetary reformers have certainly popularised them better than the Text Books and have also pointed to certain implications which tend to be slurred over in more orthodox accounts. (Page 10, line 9.)

I am sure this paragraph must have given the committee much thought in its composition. Major Douglas, I am certain, would make no claim to being the first man to have discovered the facts, but he is entitled to claim that he published the facts and drew certain conclusions from them in 1918. The facts were certainly contained in text-books prior to that date—for example, H. D. McLeod's—but the conclusions from the facts had not, so far as I know, been drawn until Major Douglas's first publications. To suggest that the Macmillan Committee had any share in pioneering is merely laughable. The phrase "certain implications which tend to be slurred over" is, I think, worth a second thought. Apparently the committee have also "slurred over" them.

THE NATIONALISATION COMPLEX

The Report proceeds, at some length, to consider the Socialist conclusions from these facts regarding our banking system, and it is obvious that the committee's whole outlook is coloured by the nationalisation complex. There is no suggestion made at all that even if the banks were nationalised the methods used in accounting the public moneys would be changed. The complaint, according to the Socialist outlook, is entirely that such powers are in the hands of private persons or institutions.

That no change of method is contemplated is evident, I think, from the following extract:—

That such great powers—of special significance now that the money system of this country is not tied to others through the Gold Standard—should be exercised by bodies which are

legally beyond the control of the Government, is an anachronism as dangerous as it is absurd. (Page 10, line 32.)

I am not at all sure what interpretation is intended to be given to this sentence, but the only conclusion I can come to is that the committee would not see so much harm in the condition described if the Gold Standard was in operation. This shows quite clearly, I think, how much they have misunderstood the true position.

That the committee are suffering from the complex I have suggested is further confirmed by the concern they show over the profits which the Bank of England makes. Pointing out that the profits of the Issue Department fall to the Treasury, they seem to think that so far as the Issue Department is concerned that problem is disposed of; but they also point out that since credit is not less money than cash and bank credit is quantitatively of much more importance.

there is a strong moral case against the exploitation of credit creation for the purpose of making private profits. (Page 11, line 1.)

All the above shows clearly that the committee have not concerned themselves with the method of issue and cancellation of money, but rather with the titular right to create money and the profits accruing from such right. It is quite fair to suggest that if the committee had their way and the banks were nationalised, the same methods of issuing and retiring money would still be in operation and the essential problem, therefore, would be no nearer a solution.

An admission is made in the Report that expenditure on public works can be carried out only by incurring further debt, thus burdening future taxpayers with interest and sinking fund payments. The Report states:—

Simply because the right of creating new money does not belong to the State, the necessary impetus to recovery cannot be given. (Page 11, line 26.)

One is left wondering how, if the right to create new money belonged to the Labour Party, they would account it. There is nothing in the Report, so far as I am aware, to show that they would account it as anything else but debt, nor that they would not insist on its recovery via taxation. It is true that this point is dealt with to a certain extent on page 32 of the Report, but it is stated that where debt is not repaid out of taxation it is only a temporary expedient and the quantitative issues of such credit will not be large.

Before coming to their criticism of the Social Credit analysis the committee make the following statement:—

It is most unlikely that the full Social Credit proposals could be applied without either producing inflation or making it impossible for the Banks to exist in their present form. (Page 11, line 34.)

This statement is used as an argument for nationalisation. It is quite carefully worded. If we amend the terms of it a little, I think most Social Crediters would agree with it as follows:—

Social Credit proposals cannot be applied within the present money system. They can be applied only in a changed money system and such change involves a change in the policy of the banks and the Treasury.

It is merely childish at this time of day to say the Social Credit methods would cause inflation. Social Credit could not be applied within any system which permits of inflation. The committee of the Labour Party is simply up to the old game of criticising Social Credit in terms of orthodox finance.

THE A + B THEOREM

The second division of the Report is stated to be a criticism of the Social Credit analysis, and early in this section the A + B Theorem is quoted. This theorem, it is said, is the central argument on which Major Douglas bases his conclusion. I would suggest that this is entirely wrong, and that the A + B Theorem is the method by which Major Douglas illustrates his conclusion. According to the committee of the Labour Party, the suggestion seems to be that one day Major Douglas discovered the A + B Theorem and the rest of the analysis followed. However pretty the mental picture conjured up by such a suggestion, I am afraid that idea must be discarded. The A + B Theorem is merely a condensed method of stating facts which were discovered by independent means. In Major Douglas's first published book, "Economic Democracy," the A + B Theorem does not appear.

The committee having decided to deal with the A + B Theorem, it is a pity, to my mind, that they could not quote it correctly in their Report. They state:—

A factory, or other productive organisation, has, besides its economic function as a producer of goods, a financial object. (Page 12, line 34—my italics.)

While it is true that productive organisations have a financial object under the present system, that is precisely what the Social Crediter says is wrong. The correct statement of the A + B Theorem begins by saying:—

A factory, or other productive organisation, has, besides its economic function as a producer of goods, a financial aspect.

which is an entirely different matter.

The Report proceeds to examine the A + B Theorem in its different interpretations. I do not intend to deal with these at length, as they have already, to my mind, been ably dealt with by Mr. A. W. Joseph in a pamphlet called "The A + B Theorem." Broadly speaking, the Report ignores the facts of accumulation of financial capital and involuntary investment and, therefore, its arguments against the theorem are weak. I will, however, deal with a few of the higher lights in this section of the Report. Under the division headed "Repayment of Bank Loans" the Report says:—

Now it is certainly true that if on balance, throughout the whole of industry loans are repaid to the Banks, a deficiency of purchasing power is bound to arise. . . . The question here is simply one of fact. Is there a tendency for the total of Bank loans to diminish? The answer is, that at certain times—during depressions—this is the case, but at other times the total of loans definitely expands. (Page 16, line 5.)

Further on in the Report it is stated:—

Equally, if a firm is voluntarily repaying a loan out of profits, and the Banks do not immediately create another loan to another producer, then again deficiency is bound to arise, but as we have already said, the question here is really one of fact and the facts show no general and chronic tendency for the total of the Bank loans to diminish. (Page 17, line 9.)

The argument here is not very clearly stated, but I think it is fair to assume that the committee admit that repayment of bank loans charged into prices and appearing, therefore, as profit, do create a deficiency of purchasing power, but that such deficiency is corrected by the banks issuing further loans to other producers, and, therefore, so long as total bank loans do not show any sign of diminishing, there is no deficiency.

In my opinion, this illustrates the fundamental difference

between the views of the committee and the views of the Social Crediter. Social Crediters realise, as the committee apparently does not, that these further bank loans to other producers have got to be repaid, and, therefore, do not correct the admitted deficiency—they merely postpone it. The committee evidently do not see that bank loans repaid may undergo a metamorphosis and become securities or reserves which still remain a charge against the ultimate consumer.

It is surely obvious that industrial debt and national debt, requiring ultimately to be met and forming a charge against the consumers (admittedly unpayable under the present system), are not to be measured by the increase in bank loans. While bank loans have on balance probably diminished since 1920, Government, municipal, and industrial debt has increased in fantastic proportions. The committee's failure to see this arises from the fact that they ignore accumulations of financial capital in considering the A + Theorem.

A little later in the Report it is stated:—

It is, in fact, the policy of the Labour Party to stabilise prices; and prices can only be stabilised, when production is increasing, if there is an adequate increase in the quantity of money. (Page 17, line 38.)

It seems to be clear from this statement that the committee look on stabilisation as having some miraculous quality, and it is also clear that they regard the volume of money as being something which should control prices—which again goes to show that they have not understood the principal Social Credit contention, which is that the money system must no longer be used to control prices through the so-called law of supply and demand. Prices should be controlled by the real cost of production.

THE ILLUSIVE INVESTMENT

In three paragraphs under the sub-heading of "Investment," the committee go on to record their criticism of an aspect of the deficiency. They record the views of the Social Crediter in the following terms:—

The act of saving withdraws money from the market for finished commodities and makes it impossible to sell a part of the product. The money which is saved is invested and paid out eventually in wages, and so passes into consumers' income; but in the meanwhile, it is argued, the process of investment has led to the production of new capital goods and there is no purchasing power available to purchase these. (Pages 18, line 15.)

The above statement of the Social Credit case is a reasonably fair one, but it does emphasise the problem as if it was entirely one of individual consumers or workers saving actual cash from their incomes and buying new investments. It ignores, or at any rate does not make it clear, that the processes of saving and investing are going on all through the industrial system and are being carried on by producers of all kinds in the form of reserves and undistributed profits.

The Report goes on to say that the above-stated argument is quite unsound, for the reason that if investment takes place concurrently with saving the deficiency caused by the saving is balanced by the money spent on the investment.

It is true that if saving increases, some finished commodities cannot be sold at their old prices, but at the same time some investment goods, machinery, buildings, raw materials, etc., will be sold at more than cost prices. There will be depression in certain industries and boom in others; less money will be distributed in some, and more in others.

Consumers' income as a whole will be unchanged. (Page 18, line 36.)

One is left wondering what on earth the committee meant when they wrote this. Investment goods, machinery, buildings, raw materials, etc., are not sold in the sense that their costs are defrayed. They are merely transferred from one ownership to another, the financial costs attaching to them still remaining to be defrayed by the only person who can defray costs, namely, the consumer.

The following quotation, I think, shows clearly the wrong ideas on which the committee are working. It occurs shortly after the previously quoted extract:—

As the new capital goods are produced, they will continue to be bought by the savings of consumers. They will then be used in production. This will lead to an increase in the output of industry. If there is to be no fall in prices, it is necessary that the quantity of purchasing power and the incomes of consumers should now be increased. This is, of course, implicit in the Labour Party policy of stabilising prices. A failure to increase purchasing power at this point might be said to constitute a deficiency; but it is certain that this is not the main deficiency to which Major Douglas refers. (Page 19, line 12.)

This extract is, I think, worth a little careful study. Take the first sentence. The suggestion that new capital goods are bought by the savings of consumers is nonsense if it is intended to suggest, as I think it quite clearly is, that the costs incurred in making these new capital goods are thereby wiped out. If new capital goods are paid for by the savings of consumers, the consumers who did pay for them are now investors holding shares, mortgages, or debentures, in the form of scrip. They look to this scrip to bring them a return in the way of income and ultimately to repay to them the money originally paid for the scrip. If consumers, as a whole, have invested in capital goods, then they can only look to themselves as the source out of which their dividends are to come and out of which their capital is to be repaid to them.

Consider the sentence above, beginning "If there is to be no fall in prices." This again shows quite clearly that the committee of the Labour Party think that the volume of money should control price.

One can only assume from the next sentence that the official Labour Party policy of stabilisation recognises that in these circumstances there would be a deficiency of purchasing power and that they have a remedy for such deficiency. This remedy can take only one of two forms. It can take the form of encouraging still further increased production of capital goods, or it can take the form of distributing free credit either to the consumer or to the producer for reduction of prices.

There seems to be no doubt whatever which of the above two forms would be adopted by the Labour Party. It must be the former, through which schemes of public works of the encouragement of production of still further capital goods would provide an agency by means of which an increased total volume of wages would serve the purpose of preventing too severe a fall in the prices of finished goods.

STATIONARY EQUILIBRIUM?

The committee's arguments under the heading of "Depreciation" are a re-hash of the old argument that while depreciation is being charged on one factory, there would, or should, be another factory in the process of erection, the wages paid on the construction of which would meet the de-

preciation charged on the first factory. It is merely another aspect of the argument about industry being in a state described by Professor Robbins as "Stationary Equilibrium," or, if one prefers it, "A steady state of self-repeating movement."

The argument takes no account whatever of the fact that although a factory may take only one year to build, it may take fifty years to wear out, and seeing such an argument in print, or listening to it in conversation, has always conjured up a vision before my eyes in which the erection of the second factory is carefully scheduled to take fifty years to build, in order that the money distributed in course of its erection will correspond to the depreciation charged on factory number one.

(To be concluded.)

"Where Service is Perfect Freedom"

"... I sympathise with Berdyaev's distrust of æsthetic amateurs of Authority like Maurras, and romantic-naturalist defenders of Authority like Georges Sorel. Their concept of Authority is negligible, though it was the fashion for some time. The true teaching on Authority begins with St. Paul, and if Berdyaev is concerned with modern history and politics, Joseph de Maistre, whom he quotes with approval in another context, Donoso Cortès and even Bonald would come within his scope. The latter, who is said to be simple, was certainly not naïve, and his problem of the limits of human expression in the things of the spirit was also Berdyaev's. True authority is a safe-guard. No serious Conservative thinker or statesman has ever conceived it differently. Berdyaev accepts tradition, realising the need for it, but tradition must be authentic and safe. Authority is finally Liberty itself, for it was in freedom and sovereignty that the *Auctor* created Man. . . .

"We can easily imagine a different Hell from Dante's; no burning fires perhaps, but a wireless course on economics, or a Marxist class of dialectical materialism. The point about Hell, however, is that men send themselves to it. God does not violate their free will and allows them to refuse salvation, allowing them at the same time to meet Christ 'in freedom,' as Berdyaev wants. He seems to be fond enough of Pascal to know that folly itself is a safe-guard of order and a loving God allows men to save themselves by folly as well as by wisdom. Russian Bolshevism has demonstrated the possibility of complete collective darkness (with individual exceptions known to God alone) but no society has as yet lived in the full Light for which Berdyaev had an impatient and youthful, truly Russian desire. The historical function of Authority has been to guide society between the two alternatives of Light and Darkness, not only according to Bossuet, whom Berdyaev dismisses as 'utilitarian,' but also according to Pascal, a very different religious thinker. This world does not belong entirely to its Prince, because the last Word has already been spoken against him." (Béla Menczer reviewing "Truth and Revelation" by Nicholas Berdyaev in *The Tablet*, September 5.)

"New France"

A personal message to Mrs. Douglas announces that the Congress of Social Crediters held annually by our friends in Eastern Canada has this year exceeded previous demonstrations of the kind. It took place at St. Georges de Beauce last Saturday. The following messages have been exchanged:—

FROM M. JEAN GRENIER, THE SECRETARY, TO MRS. DOUGLAS:—

"French Canada having the most splendid Congress to date. Major Douglas survives in his work and guiding inspiration. His vision will be realised."

FROM THE CHAIRMAN TO M. GRENIER:—

"Mrs. Douglas desires me to thank you warmly for inspiring message. The Secretariat joins in congratulating your brave, loyal movement on its accomplishment."

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