

THE SOCIAL CREDITOR

FOR POLITICAL AND ECONOMIC REALISM

Vol. 34. No. 8.

SATURDAY, APRIL 28, 1956.

6d. Fortnightly.

Economics, or Political Economy?

by C. H. DOUGLAS.

An Address to the Marshall Society of Cambridge
(October 20, 1938).

(Concluded.)

The professional economists seem to have concentrated their energies over the past 20 years or so largely on an enquiry as to *what* goes on in the world of economics, rather than *why* it goes on, and to what it tends. There can be no discussion as to the desirability of making sure of your facts, but I am more than doubtful as to whether economists, on the whole, do make sure of their facts, or really know a fact when they see it. It is beginning to be generally recognised that mere money estimates of economic activities are almost valueless. I am inclined to think that it is not so generally recognised that you cannot place any rational interpretation on figures obtained by such methods as the census of production, or other similar returns, until you have information as to the destination of the production, the policy which was the cause of the production, and the probable short and long-range effect of this policy. For instance, Herr Hitler has been informing German people for some years past that they could not have both guns and butter. It is open to anyone to question whether Germany has been producing guns, or liabilities, looked at from the point of view of the individual.

There is one measure which is fundamental to any appreciation of the economic facts, and that is the measure of the potential rate of production and perhaps even more importantly, the change of rate, or what we engineers would call the *acceleration* of the rate of production. Now, I do not think that mere statistics of the *actual* change of rate are of very much value because the *actual* change of rate is dependent on numbers of purely artificial restrictions, such as lack of purchasing power, *etc.* But the *potential* rate of production is almost entirely dependent on the available amount of energy, and I do not exclude from this statement the consideration of the supply of what are called "raw materials." "Economic production" is a misnomer—there is no such thing. There is the change of form by which we make a simple thing into something more complex, and this is always accompanied by the dissipation of energy. Using this conception, we can say that there is about 4 horse-power available for every one of the population of this country, and a horse-power is commonly considered to represent the work of ten men, and this energy is available for 24 hours a day instead of 8 hours, so that each of us has 120 slaves available. The potential rate of production is probably, there-

fore, over 100 times what it was, let us say, 150 years ago. In other words, a reasonable standard of living ought to be available for all of us, with a very trifling amount of work.

Now why do we find that economic insecurity is greater than ever it was? For myself, I have no hesitation whatever in giving you a short answer: it is the insistence upon a policy of universal employment, a policy which is pursued in flat opposition to the fundamental necessities which are revealed by the general economic position. Whereas the underlying necessities of economic production require, in fact, less and less attention by fewer and fewer of the population, we are insisting on more and more attention by more and more of the population. We are not doing it to ensure a good life, we are doing it because we pretend that our system of forced work is a "moral" system. That is a primary conception of Whig politics.

Those of you who live in the North must be familiar with a large number of farms, many of them becoming derelict, which bear the names of Manor Houses. In Cheshire, for instance, nearly every farm of any size is called something-or-other 'Hall.' A couple of hundred years ago these represented the homes of independent, leisured families. Admittedly, there was a small (surprisingly small) portion of the population living in poverty. I doubt very much if the percentage was anything like one-tenth of the population. The rest of the population was comfortable, independent and confident. With immeasurably greater potentialities to-day for leisure, comfort and security, we have a larger percentage of indigence and a rapid proletarianising of an increasing portion of the population. That is not economics—it is "work" exalted to the main object of political economy. From it flow not merely the consequences upon which I have just touched, but because of the theories of the balance of trade, the necessity for international trade, and so forth, all of them emanating from Oriental ideologies, it is the primary cause of war.

While an intellectual appreciation of it is obviously the first step to anything practical in regard to this situation, it would be a profound mistake to assume that that is sufficient. It is my opinion that the problem which requires urgent attention beyond all others at the present time is the relationship of the individual to his institutions. At this time none of us can be unfamiliar with the fantastic lengths to which the exaltation of institutions proceeds. An institution, whether it be a nation or some constituent part of it, is, at bottom, nothing but an association of individuals for their own good, and when it ceases to be such it is a danger and not a benefit. The claim which is made that institutions are all-important and individuals

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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.

SUBSCRIPTION RATES: *Home and abroad, post free:**
 One year 30/-; Six months 15/-; Three months 7s. 6d.
 Offices—*Business and Editorial:* 11, GARFIELD STREET, BELFAST.
 Telephone: Belfast 27810.

*Note: The above rates cover subscription to *Voice*, appearing fortnightly in alternate weeks with *The Social Crediter*.

From Week to Week

In the course of an article in *The Spectator* (March 2, 1956) which, let us hope, will begin the long overdue process of debunking the 'official' economists, Mr. Brian Inglis remarks: ". . . Economists are, themselves, in a sense frictions: they have congealed their subject into a system in order to gratify a compulsive wish for tidiness, for symmetry—like people who cannot bear to have a picture hanging a millimetre off-centre. To some extent too, they are acting from motives of more mundane self-interest. In order that economics should attain academic and commercial stature it has appeared necessary that it should at least appear capable of scientific rationalisation. So the more wildly remote from actuality the system becomes, the more energetically economists have had to apply themselves to their concepts, their graphs, their formulae. . . ."

"Economics, in fact, has become a vested interest; and it is useless to quote Keynes' dictum that ideas, rather than vested interests, are dangerous, if the vested interest is in the creation and promotion of ideas. But it will be difficult to do anything, because the reputation of subjects in academic circles tends to be proportionate to their remoteness from reality. . . ."

". . . To-day, our foreign policy affects domestic policy in our most vital concerns. It embraces taxes, debt, inflation, high prices, wage, rent, price and agricultural controls; import and export trade; the peacetime conscription of our sons; the right to travel and do business abroad; the allocation of the materials, money and credit with which domestic business is done. It is so draining the taxable wealth of state, county, city, town and village that they feel they cannot build the needed roads, bridges, hospitals or schools, or pay their teachers without 'federal aid' from the government that impoverishes them. Hence, the Leviathan on the Potomac is consuming state and local self-government and breaking down every substantial barrier our fathers so painfully erected to keep government limited and people free."

—Samuel B. Pettingill in *Human Events*, February 18, 1956.

To get to this position was, of course, the precise meaning of the Yalta, Potsdam and such agreements.

In the current discussion of inflation, it is important to establish the correct definition of the condition, which is an increase in the quantity of money available, accompanied by an increase in prices.

An increase in the amount of money need not necessarily cause an increase in prices. In point of fact, since the practically universal adoption of cost-accounting, the price of an article represents its actual cost, plus profit, which usually represents quite a small proportion of total cost. Any increase in cost anywhere along the line is thus necessarily reflected in an increase in price. Now an increase in prices requires an increase in money available, so that there is a causal connection between an increase in prices and an increase in money, in that sense. If the money is not increased, the prices cannot be met, production slows down, and depression ensues.

In nearly all industrial concerns, profits are considerably less than total wages and salaries, so that increased wages can be paid only to an insignificant extent out of profits. In other words, increased wages represent increased costs, and therefore increased prices.

Wages and salaries, however, are not the only cost of industry. Depreciation charges for the use of plant are, in many cases, considerably greater than direct labour charges, and the more plant is installed, as it constantly is, the greater becomes the proportion of prices represented by those charges. The increase of these charges is an obvious diluent of the purchasing power of direct labour charges, and of necessity requires an increase in wages to offset it, and this again increases costs. Inflation therefore is a self-perpetuating and accelerating component of modern cost-accountancy.

In the early days of Social Credit analysis, "money," to both the public and to economists, had a real existence and real value. For contemporary conditions, however, it is much more useful to consider money as simply one element in a complex interlocked system of cost-accountancy: money has no value in itself, but is simply a mechanism for facilitating or authorising book-keeping entries. Seen from this point of view, the old argument that something cannot be done because there is too little (or too much) money becomes the argument that something cannot be done because the necessary book-keeping cannot be done.

Now it is publicly stated that our present economic problems arise from the fact that "our costs are too high"; and therefore that we can resume our "prosperity" if only costs can be brought down. This is a problem of book-keeping.

Great Britain and Australia, for example, are both alleged to have "too much money chasing too few goods"; both countries need to "increase their exports"—presumably not exporting the "too few" goods, but some others. Australia has too much butter and wool, and Great Britain—where part of the motor-car industry is working a four-day week—too many cars. Is it impossible to devise a system of book-keeping which will enable the beneficial exchange of the surpluses?

“ . . . Neither Do They Spin . . . ”

by BRYAN W. MONAHAN

X

Finally, let us look at the possibilities of a more fruitful policy and more wholesome and abundant life.

First of all, there is a need as never before for the proclamation on the highest levels of what life is—*religion*, a binding back to Reality. The end of man, and the means to the end, need re-stating in terms of this new and unprecedented Technological Age.

And in the light of this, educational policy needs to be re-orientated. But since the State has become the great exponent of the policy we are challenging, and since its schools are more and more adapted to buttress that policy and produce the human raw material of ever-mounting ‘production,’ it is to the Church schools we must first look for this re-orientation. It seems to me impossible that our present wrong condition can be changed; but it can gradually be replaced. For our present condition is the outcome of a false philosophy, from which it has grown; and the new condition also must grow.

To this end, it seems essential that these schools should consider primarily what their pupils are to become “in the sight of God.” If these schools believe that every individual has a supernatural destiny, then it must be their task to provide the right guidance to that end in the formative years.

The possible world into which these children might grow up is, as we have seen, one where a relatively small part of their time need be devoted to the maintenance of life, so that the problem is to help them to develop into independent personalities able to employ a predominant leisure to perfecting their lives. Thus they need to be shown how to develop towards a vocation through which they can express themselves—not to earn a living, since power and technology can provide the greater part of that, but because destiny is achieved through, in its broadest sense, vocation.

Once the need to provide ‘employment’ was gone, technology would be free to devote itself to the greatest possible elimination of dreary, routine, and soul-destroying ‘work’—a development, indeed, already in train (to the alarm of ‘employees’) in the extension of automation.

Particularly when men are free to choose, individually, whether they will, or will not, assist in any project which may be placed before them, technology and craftsmanship will provide ample opportunity for self-development through vocation. But perhaps, as time goes on, more and more will feel drawn to the arts and humanities.

The basis of this freedom to choose is, of course, an independent income sufficient to support life adequately, although not, perhaps, at first, luxuriously.

XI

There is no doubt that large numbers of people find the idea of universal independent incomes startling. Yet the only reason why independent incomes are not almost universal by now is the existence of a policy against them

and the mechanism of this policy is taxation (including high prices) and death duties.

In any given accounting period, almost the whole of the money paid out for production of *every* description is withdrawn through the medium of prices of consumer goods, and taxation. But if only so much money were withdrawn as represented the actual cost of consumer goods—that is, if the public as a whole were allowed to retain the money paid out for all that which it had produced, but not received—it would acquire over a period of time enormous savings. The progressive investment of these savings then would produce ‘independent’ incomes; and this situation would correctly reflect the actual technological situation.

But this has not been done; and it has not been done, let me emphasise, as a matter of *policy*. And equally, a new policy could restore the situation to what it might have been.

What has happened over the period to time represented by the industrial era has been the involuntary re-investment of income, without the individual recipients of that income receiving in exchange ‘shares’ to represent the investment. The physical reality achieved by that investment however exists, in the form of the whole of the capital development of the country. That capital development could, and should, pay a dividend to all individuals, *representing each one’s share of the labour-saving that has been achieved.*

There is available a large technical literature on the practical application of this policy. There is not the slightest doubt of its practicability; but its practicability is of no consequence until a clear decision on policy is arrived at.

As a result of distorted education, continuous propaganda, and the effect of a debased daily Press, and other factors, the contemporary electorate is almost certainly incapable of judging this issue. In any case, however, the issue is primarily a moral one, and should be considered and pronounced upon by the Church, and by the Lords Spiritual and Temporal. The times we live in derive, in large part, from the pronouncements of earlier men of science, who, ‘priests’ of a new order, destroyed the foundations of the old.

To see what is needed now, consider the following from the Introduction to *Fathers of the Western Church*, by Robert Payne (Wm. Heinemann, London, 1952):

“ . . . We forget that there were great philosophers, great psychologists, even great poets among the Church Fathers, and that they sometimes understood better than we do the complexities of the human soul. We forget they are a part, perhaps the greater part, of all we mean by Western civilisation, for they laid the foundations. They were the mediators between the Renaissance and the civilisations of Greece and Rome, and they were perfectly conscious of their high role in history as they called upon people to live dangerously. . . .

“ As we see them now, through dark mists, they are larger than life, superbly assured of themselves as they thunder against the barbarians or set in order the conflicting loves of men. . . . As we see the Fathers in Italian

paintings of the Renaissance, we see their dignity, their immeasurable wisdom, their solemnity even, but their stature is absent. Against a Tuscan sunset Jerome with his lion or Francis amid his circling larks looks almost human, almost ordinary. El Greco painted them better, with the smoke and the mist and the air quivering from the lightning-stroke, in darkness and battering thunder. In such a landscape, they looked like what they were, heroes who drew strength from danger. . . .

"We tend to believe that the life of mediaeval man was hard and brutish. It is doubtful whether it was as hard and brutish as the life of our own time. His faith was real: he knew he could move mountains: and the Church, which ruled his inmost faith, consecrated his family, prohibited him from usury, set aside by inviolable law weeks when no man could lift his voice or his knife against another, and saw that no man starved. In the dark plague-ridden cities light came blazing from the soul of man, and by this light men saw themselves among the elect, for every man by virtue of God's grace contained within himself a part of the living God. To-day science is power. In mediaeval times power came from God and the simple offering of the bread and the wine.

"If the test of a civilisation lies on its arts, then mediaeval civilisation remains among the greatest there have ever been, comparable with that of the T'ang Dynasty in China or with Periclean Athens. . . .

"In the high Renaissance men began to believe that they shone with their own independent light, but by that time the work of the Fathers was already done. They had no successors. . . .

"Compared with the mechanical perfection of the twentieth century, the perfection of the Middle Ages belongs to another order. They strove for perfection of man, not for perfection of machines, or rather, since man was an indescribably divine machine operating according to heavenly laws, he needed only a little more of the oil of grace to proceed smoothly along the heavenly way. . . .

"One of the advantages of living in an age of disbelief is that the necessity for belief is more clearly demonstrated. . . .

"We have learned by hard experience that all Caesars (by which we mean all politicians) go to Hell. It would seem more profitable to believe in a merciful God who loves human justice, and then to go quietly about our tasks.

"In all this the Church Fathers have an appointed place. . . .

"At a time when faith is weak and survival of itself is hardly worth fighting for, it would be well if we remembered the Church Fathers who shored up the ruins, and 'in a time of awakening fed honeycombs to our mouths.' . . ."

It does seem that our materialist hell with its brutish policy of work for employment's sake, and its degradation of man into a mere functionary, is the triumph of anti-Christ. But beyond it lies the promise of a renewed spirituality, the promise, in one sense at least, of a second coming of Christ, the Age of the Holy Ghost; an Age of Devotion, when "they toil not . . ."

(Concluded.)

ECONOMICS, OR POLITICAL ECONOMY?—

(continued from page 1.)

have no importance is just exactly that claim which was challenged 1900 years ago and which must, as a matter of practical politics, be again challenged if civilisation is to survive. Institutions have their uses, and, in fact, civilisation is probably impossible without them. They are good servants, but bad masters, and they have one very dangerous feature—a tendency to self-perpetuation. That is one reason why experts are such dangerous people. The average expert becomes so fascinated with the institution which gives rein to his expertness, that it becomes an end in itself, rather than a means.

Cambridge has a great responsibility in this matter. It is the Whig university, and the policy of this country for the last 200 years has been a Whig policy and is a Whig policy to-day. The first modern Dictator in Europe was the Whig idol, Cromwell. Merrie England ended with his rise.

I offer no opinion as to whether history, when it comes to be written, and if it is written truthfully, will regard the past 200 years as being an inevitable phase through which we were bound to pass, but I am quite confident that whatever virtues that period may have had, it has none now—that the hysterical cry for yet more work, yet more employment, sacrifices, higher taxes and all other corollaries of this policy, together with the bureaucracy and encroachment on elementary rights and liberties which is its accompaniment, should not only be firmly resisted; but reversed. As the rising generation of this country and members of an institution for which, in itself, we all of us have so great an affection, and whose glamour returns to me afresh as I visit it at your kind invitation, I should like to place the whole situation before you for consideration, with the earnest request that you free yourselves, as far as possible, from the idea that the object of the world and of life is the still further exaltation of the economics system, and the destruction of individual independence. If that idea is persisted in for the next five years, the future is indeed dark.

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Published by K.R.P. Publications Ltd., at 11, Garfield Street, Belfast.
Printed by J. Hayes & Co., Woolton, Liverpool.