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The March of Events

Great Britain is in the throes of an inflationary crisis, symptomatic of the closer approach of the mathematical destiny awaiting the present International Monetary Regime—the irrefutable logic of Douglas's A plus B theorem. That this country is in the van to receive the onslaught is inevitable, not only, as Douglas always said, because in herself she constitutes a cultural target, but equally, because within her insular self she has less of a cushion of material resources—natural capital—than any other nation of her size and standing. Particularly so, since her single bulk supply of raw material represented by her vast coal mining industry, has been tapped at its source and drained away, so to speak, in readiness for this very crisis it would almost seem; a process dating back to the early days of Karl Marx.

In addition to this, however, the Conservative Government has an internal party-political crisis to deal with on the head of inflation; since it has unquestionably been experimenting, not we may be sure without encouragement from the presiding financial powers, with a deliberate policy of controlled, so-called, inflation, presumably as a homeopathic remedy for the evil of inflation itself—a despairing attempt to make a virtue of a necessity. That this futile effort has failed is now as obvious as it was inevitable. Mr. Butler, its nominal author, has been relieved of his office, of which, until a few short months ago he was being acclaimed as one of the chief of recent ornaments. While the newly elected, Labour Party leader, Mr. Gaitskill is pushed forward just to remind the Prime Minister of what awaits him if the Conservatives cannot bring something new and better out of the hat.

So we have Mr. Harold Macmillan in the place of Mr. Butler, who after some gestation is delivered in the presence of his National Production Advisory Council, of the fruits of his labour, prefaced by what must surely be the weakest self-introduction with which any man can ever have accepted a post of such vital importance to civilization in general. "He was," said Mr. Macmillan, "still very much a beginner." Well and good; we all have to begin sometime. "Moreover," he continued a trifle irrelevantly, "a beginner has some advantages. He may have beginner's luck. Any way he can ask elementary questions either of himself, or of his advisers. . . . If what I say strikes you as a very amateur, I hope you will judge it charitably as coming from a newcomer." From that Mr. Macmillan passed on to say that he proposed to deal only with diagnoses, leaving remedies for a future date, and for four full columns of newsprint he did so, with no more light on the subject than such an introduction would lead one to expect.

As far as is known there has been only one full and correct diagnosis of the phenomenon of Inflation; after all, if it is correct, one is enough. In a short sentence of extraordinary concentration, quoted here from his book, *The Control and Distribution of Production,* p.72, Douglas has recorded very simply and for all time, both the diagnosis, the cause and the cure, of Inflation.

> "*Now the core of this problem is the fact that the money that it distributes in respect of articles which do not come into the buying range of the persons to whom the money is distributed is not real money*— it is simply inflation of the currency so far as those persons are concerned. The public does not buy machinery, industrial buildings, etc. for personal consumption at all. So that, as we have to distribute wages in respect of these things, and we want to make these wages real money, we have to establish a relation between total production, represented by total wages and salaries, etc., and total ultimate consumption, so that whatever money a man receives, it is real purchasing-power. This relation is the ratio which total production of all description bears to *total* consumption and depreciation."

Such is the "problem" of Inflation, analysed, diagnosed, and laid bare in its stark, metaphysical simplicity; by which I mean without any personal bias, or any interest but the truth of the matter. Mr. Macmillan proceeds to give his diagnosis; and in truth, if it weren't that so much was at stake, it would be difficult to take him seriously. His diagnosis is over-eating, and he drags in a facetious reference to George IV, by way of justifying the possibility of enforced abstinence. For the rest of his address, and there is a great deal of it, it is simply a repetition of the old despairing cry of Ramsey Macdonald's Labour Government, in 1924 and again in 1931, to tighten our belts to produce more and consume less. The Bourbons, who learn nothing and forget nothing, are still with us. "The nation was too greedy," said Mr. Macmillan. Last year we produced and exported more than the previous year. But we weren't content with the goods we produced. We wanted still more, *and gave ourselves the money to buy it.* (My emphasis). Unfortunately the "still more" wasn't there, so the price of what there was went up.

To those of us who have taken the trouble to master Douglas's lucid condensation of style, this recapitulation of the new Chancellor's ruminations may seem mere waste of time. Yet there was a sentence worth notice:—"We wanted still more and we gave ourselves the money to buy it." Evidently Mr. Macmillan, or those who wrote his address for him, realised that some explanation might be needed, for shortly after that he says, "A moment ago I used a phrase that may have seemed a little odd. I said that we gave ourselves more money. Does that phrase mean anything? Economists have always known that Govern-

(*Continued on page* 3.)

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From Week to Week

Social Credit both repudiates and is the antithesis of power—and party—politics. Its basis from the beginning has been that the individual is free to decide whether he will or will not co-operate in any undertaking which may be placed before him: and what we understand by Social Credit is such an undertaking. Social Credit, accordingly, will come, when there are a sufficient number of Social Crediters.

This would seem to be a perfectly hopeless proposition so long as Social Credit is considered as a theory amongst others. But Social Credit is "a glimpse of reality," not a theory. The statement, for example, which appears nowhere in official economic theory, that the real—i.e., actual—cost of production is consumption, is a revelation of reality; and as such it makes nonsense of the current discussion of the contemporary economic 'problem.'

The task of Social Crediters is, accordingly, to bear witness to the truth. Every day innumerable issues are raised in Parliament and the Press. If Social Crediters constantly accepted the challenge, taking up each item of the agenda as it appeared, and dealt with each *realistically;* if they considered themselves as actual members of Parliament as it ought to be; if, as Douglas advised, they constituted themselves as a Civil Service of policy, then democracy of policy, which is Social Credit, could begin to take root.

Not Douglas—and much less the Social Credit Secretariat—could bring about Social Credit. Social Credit is a religious movement (*religio*: a binding back to reality) and therefore, as in all religions, the guiding principle is: "Let thy Light so shine before men, that they may see your good *works*." That only, and no *tour de force*. It is within the power of Social Crediters to expose the official economists for the idiots they (in their function) are. The mere arithmetic of the present situation has overtaken them once more. They *could* be put on the defensive and a breakthrough of that defence would expose the fundamental issue—the self-determination of the individual.

The Eight Eminent Economists

Of the three letters which follow, the first was not published, the second was published on March 4, and the third was published on March 29:

Canberra,
5th March, 1956.

The Editor,
The Canberra Times.

Dear Sir,

The Eight Eminent Economists who lend their authority to the practice of robbery through taxation apparently subscribe to the theory that an increase in the quantity of money is the cause of a rise in prices. Correctly defined, inflation is an increase in prices, accompanied by an increase in the quantity of money. This is a problem of the horse and the cart, not of the chicken and the egg.

Under the virtually universal adoption of strict cost-accountancy, prices represent cost, plus profit. Since profit represents, in the majority of cases, only a small fraction of costs—the total profits of Companies divided amongst wage-earners would represent only a few shillings per week—they do not represent the heart of the problem, which in fact is cost.

Costs are made up of raw materials, direct labour charges (wages, salaries and advertising), and plant charges—i.e., the charge against the consumer of the depreciation of premises and machinery. Under the present system of cost-accountancy, an increase in any cost must be reflected in an increase in price. This of course is demonstrated negatively in the lower *rate* of increase in the cost of living index in Australia since the quarterly adjustments to the basic wage were discontinued.

But beyond this is the fact that the progressive introduction of plant increases the element in prices of the cost represented by depreciation. This acts as a diluent of purchasing power. Because of this, workers must obtain even higher wages, merely to maintain an existing standard of living. But these higher wages mean increased costs, and hence increased prices, which again react on the standard of living. Inflation, as defined, therefore, is a natural consequence of the current system of cost-accountancy, and, clearly, is an accelerating process.

Hire-purchase is the mortgaging of tomorrow's income to purchase yesterday's production, and clearly depends for its possibility on the availability of yesterday's production. What it really demonstrates is the inadequacy of current income to purchase that production. Not enough money chasing too many goods.

The remedy proposed by the Eminent Economists, being based on an incorrect diagnosis, will ultimately make things worse. They propose to remove the "excess" money by taxation, this "excess" is supposed to derive (leaving out hire-purchase) from excessive capital development—i.e., production which distributes incomes, but does not make goods available at present. But if this "excess" income is removed by taxation, it deprives the consumer of the money which he will need in the future to meet the depreciation charges when the capital equipment is brought into operation, and so further "excessive" capital production will be necessary to provide the money to meet those charges—exactly, in fact, as the present "excessive" capital development is necessary for just the same reason.

There is one thing, and one thing only, which will halt, or remove, this inflation which is destroying the fabric of our society and that is an alteration in the conventions of cost-accountancy. Higher taxation, the credit squeeze, and choking off hire-purchase, will infallibly make the situation worse. The economists may not think so, but then economists have been aptly described as all perfectly honest men who reach positions of comfort and security, not by saying what they do not believe, but by being able to believe anything, even if all experience contradicts it, and to put their beliefs into such a form that the absurdity of them requires a little more analysis than most readers have the time and the inclination to give them; and to this I may add that, as in the case of quacks in medicine, their eminence and their emoluments only serve to confirm them in their wrong beliefs.

If this appears to be a strong condemnation, I can only say that academic support of robbery through taxation deserves it. Wage-earners are heavily taxed. They have earned and are entitled to their money, without having recourse to hire-purchase arrangements which would be less necessary if they were less taxed.

Yours, etc.,

BRYAN MONAHAN.

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Canberra,
12th March, 1956.

The Editor,
The Canberra Times.

Dear Sir,

Towards the end of February last, Mr. Frank Bowles M.P., put the following question to the economic experts in the House of Commons: "If imports greatly exceed exports, how can too much money be chasing too few goods?" Nobody could answer him.

The reason, of course, is that it is not true that too much money is chasing too few goods. The very existence of hire-purchase, which is the mortgaging of tomorrow's income to purchase yesterday's goods, and which obviously depends for its possibility on the existence of those goods, is sufficient to prove the inadequecy of current incomes to purchase current production.

This matter has an immediate practical importance, because there is every indication that financial policies based on incorrect theories are being pursued, and are making matters worse. If it is only for the record, I would like to state my conviction that no orthodox remedy proposed for the present so-called inflationary situation will be effective, and that in six months time the cost of living will have increased beyond what it is now.

Yours, etc.,

BRYAN MONAHAN.

Canberra,
27th March, 1956.

The Editor,
The Canberra Times.

Dear Sir,

It is rather surprising that out of the galaxy of economists concentrated in Canberra, not one star has suggested an answer to the question I quoted: "If imports greatly exceed exports, how can it be true that there is too much money chasing too few goods?"

We read, for example, that the Rootes group of motor-car manufacturers in Great Britain is working a four-day week, and of an Australian production of wool, wheat, and butter well in excess of local requirements. Taken together, these facts suggest that there are too many goods available for too little money, and make it even more difficult to understand in what way prices are to be lowered by raising them. Mr. Brian Inglis, in the *Spectator,* (March 2, 1956), suggests that economists have lost touch with reality (he considers that their real function is that of windscreen wipers rather than of back-seat drivers). It does seem odd that the immense productivity of war cannot be transmuted into an equivalent prosperity in peace. However that may be, surely those who voted for the restoration of value to the pound are entitled to a comprehensible explanation of why they haven't got it?

Yours, etc.,

BRYAN MONAHAN.

THE MARCH OF EVENTS.—*(continued from page 1.)*

ments could give themselves more money. That is what inflation really means . . . printing more notes without the goods to spend them on . . . Of course we have not used the printing press in that crude way. Yet, as I pointed out, we have somehow managed to increase the amount of money we are spending more than the amount of goods we can buy. *The credit system has something to do with it; but I think that in conditions of full employment the banking system meets the demand rather than creates it.* If this is right, they are the instruments of inflation rather than the active agents. The instruments can be very important things, and with the co-operation of the banks we are using credit restriction to limit the growth of demand."

Is it really possible that Mr. Macmillan or his advisers are unaware of the fact that the statement that a Government can give itself money is utterly false? Is it conceivable that he is unaware that they can only *borrow* from the Banking System, on behalf of the citizens they represent, who collectively and individually foot the bill, in the form of unrepayable National Debt? Yet here we have him publicly stating it, and in addition, announcing on behalf of a so-called scientific profession, "Economists have always known that Governments could give themselves more money"—a statement which being untrue on the second count—that political Governments are at liberty to create credits at will—is equally false on the second. Yet where are the protests from the accredited experts themselves?

Not a voice is to be heard in the responsible ranks of the Bank Chairmen! Not a correction from any of the editorial offices of the City Press. Or from the professional economists themselves; what of Mr. Colin Clark, the director of the Institute of Agricultural Economics at Oxford, who expresses " advanced " economic views in the popular press, and who recently gave evidence before the special Monetary Commission set up by the Government of New Zealand to investigate, among other things Social Credit?

Douglas, even though he quoted the *Encyclopaedia Britannica* as his authority, was assailed on every side when he endeavoured to publicise the truth as to the creation of credit out of nothing by the banks. Not until the late Reginald McKenna, Chairman of the Midland Bank, came to his aid with the statement that, " Every bank-loan creates a deposit, and every repayment of a bank-loan destroys a deposit," did the Economic Faculty desist from the deliberate encouragement of the popular fallacy that banks had nothing to lend but their depositors' cash credits. Is there no authoritative voice in the highly influential ranks of the Joint Stock Banks even, to repeat in this instance the simple service to the Truth that Mr. McKenna rendered at that time?

In the mental confusion of the Chancellor's address, a confusion so profound and misleading as to make it only too easy to conclude that it was the result of intention on someone's part to baffle inquiry, and so childish as to suggest a nursery-school, it is difficult to determine the approximate point at which our public spokesmen cease to be the dupes of their own fairy-tales and show themselves as cynical World-Planners. Such knowledge would be of enormous value. Lacking it, however, it is perhaps more useful to our immediate speculative purposes to regard them all, the public figures upon whom the spotlights are trained, as more self-deceived than deceitful; semi-mesmerized slaves of the Myth, some or any myth rather than the Truth. In that case, let us search Mr. Macmillan's verbiage to see if we can find the operative word that might indicate the direction in which the current was running. In conjunction with all the present pronouncements of the Bank Chairmen, it is obvious that, second to inflation, the problem uppermost in the official mind is the stupid condition known as " full employment." Full employment, then, is the operative word. The dupes—one might call them the demi-planners, blind followers of the blind leaders—have fallen up to their necks in their own ditch. Having achieved the state of things they have been taught to clamour for they don't appreciate it, or at least the problems it sets up to be solved, and are at their wits' end.

To re-quote Mr. Macmillan, in a paragraph given in the press release the emphasis of heavy type, and with the strong impress of the Bank-Parlour alibi upon it:—" The credit system has something to do with it; but I think that in conditions of full employment the banking system reacts to the demand rather than creates it." ". . . and with the co-operation of the banks we are using credit restrictions to limit the demand." The general anxiety is echoed in the voice of Lord Beveridge, Liberal framer of the Welfare State (British type), and late Director of the London School of Economics, who having done his worst, is seldom heard nowadays. Speaking recently at a meeting of the Oxford University Liberal Club he said that " those who like himself had advocated full employment before the end of World War II, were alive to the risk that full employment might lead to the destruction of the value of money by inflation, unless steps were taken to prevent it." Needless to say, in Lord Beveridge's view, the steps were never taken. But the steps he then proceeds to outline involve a centralized control of affairs leading straight—not half-way, as at the time of its introduction he gleefully assured us—to Moscow. Is he, or the Liberal Party, if such exists, prepared for that? As a well-meaning busybody of palpably high degree in the hierarchical ranks of the Planners, probably not. Nor is Mr. Macmillan, nor the Conservative Party as a whole. But if these demi-planners are not prepared to accept the *only* alternative to Moscow, as Douglas has explored and exposed it for them, no action of their's can possibly arrest the mathematical march of events, which is still, if not actually in the control of the World Planners whoever they are, at least to all appearances on their side. There are no half-measures than can alter that; it is a case of, " He that is not with me is against me." Let the Conservatives and the Liberals protest as they may, with the fiendish perversion of Ballot-Box Democracy which they have helped to establish, the Planners have only to turn to where the leaders of the Labour Party, already queued up and salivating for place and power, stand ready for anything and everything that may be coming to them, and to their poor unhappy country.

—NORMAN WEBB.

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