

DOUGLAS ADDRESS AT IPSWICH (ENGLAND)

(The following Address by Major C. H. DOUGLAS was given at Ipswich on April 4, 1933)

I SUPPOSE that it is not necessary at this time to stress the fact that what is called the "money question" has become a matter of general interest and controversy, and that the boycott which has been employed in the past to prevent its discussion has largely broken down.

Although this is so, it has, perhaps, only served to bring into sharp relief the fact that before any very effective discussion is possible in regard to the reform of the money system, the vast majority of people require to be submitted to something which I can only describe as demesmerisation in regard to the nature of money itself.

If we were to judge from the city columns of the London newspapers and that portion of the press which is specifically devoted to money questions, and had no other means of obtaining information, it would be impossible not to imagine that money and the money system are a natural phenomenon of the nature of earthquakes and the tides, and all that we can do in regard to the matter is to observe what happens, and without in any way attempting to control those happenings, by using the information so obtained, to prevent or at any rate to minimise the disastrous consequences which might otherwise overwhelm us.

It is no exaggeration to say that this describes the attitude of monetary experts, whose views obtain general publicity.

There is a growing circle of opinion which, while not regarding the money system in quite so fatalistic a sense (because aware of the control exercised over it by the banking system), is inclined, like President Roosevelt, to attribute the defects, and, in fact, the

promise of irretrievable disaster with which the world is faced as the outcome of the working of the money system, to the stupidity and criminal selfishness of its leading bankers, which attitude can, I think, be paraphrased in the words of the well-known hymn that "Every prospect pleases, but only man is vile."

I believe there are sound grounds for stating that neither of these attitudes can be wholly justified by an examination of the facts; at any rate, my own opinion in the matter, which differs somewhat from either of them, can be quite shortly stated.

The money system is a wholly artificial system, having in itself nothing corresponding to natural law in its composition. It is a man-made system, and it can be altered to any extent by its makers. It is a defective system for reasons which I propose shortly to indicate, and the chief complaint against the banker at the present time is that, as its defects place him in an extremely advantageous position in regard to the general community, he is resisting either investigation or rectification of it, and is thereby accepting responsibility for its defects.

I do not think he caused those defects, but I do think that he is opposing their rectification.

Perhaps the simplest method by which a true conception of the money system can be obtained is by some examination of its historic origins, one of which is indicated by our word "pecuniary" from "pecus—cattle." In primitive civilisation cattle were the chief basis of wealth, and were exchanged for grain and other forms of wealth by methods of barter not dissimilar to those which are growing up to-day as a result of the breakdown of the money system.

Since an itinerant grain merchant might obviously not wish to take delivery of cattle at the moment that he made his bargain, the custom grew of taking a leather disc representing one head of cattle, and at some subsequent date presenting this disc either by messenger or otherwise and receiving the cattle in exchange.

It may be noted that at a much later date exactly the same process took place in regard to the goldsmiths, who are the lineal ancestors of our present bankers, only that in their case the wealth was handed to them for safe keeping and a receipt was given, the wealth being restored against the delivery of the receipt.

Reverting to the leather discs, however, certain most important points should be noted, firstly, that this primitive money was issued "by the owner of the cattle"—that is to say, the goods and the money representing the goods originally had the same point of origin, and, secondly, that the amount of money created was exactly proportionate to the amount of wealth in existence, so far as the system was in general use.

Simple and convenient as this system was, it is clear enough that it provided an opportunity for knavery. To understand how this knavery developed into the legalised modern banking system we have to turn again to the goldsmiths.

Originally, artificers in the precious metal, the mediaeval goldsmiths, by an easily understood process, developed into the custodians of the portable wealth of their clients, such portable wealth being deposited against a receipt given by the goldsmith himself.

Having the tangible wealth of his clients under his control, the goldsmith rapidly developed into a money-lender against tangible security. But a parallel development took place of immense importance, which was that the receipts for the tangible wealth deposited with the goldsmith, which were signed by the goldsmith, began to pass from hand to hand in settlement of debts, thus forming the original bank notes, since they had to be met upon presentation by the delivery of a specified amount of gold plate.

These goldsmiths' receipts were found to be so convenient that they were used until they were worn

out, passing from hand to hand exactly like a modern £1 note, and were only occasionally used for their original purpose of drawing out the gold plate from the custody of the goldsmith. It is quite easy to see that the bright idea of having two or three receipts for one piece of gold plate and using each of these receipts to obtain the equivalent value of the gold plate in other goods and services would soon occur either to the goldsmith or his clients, and would be quite successful so long as they were not actually used to draw out the plate itself from the custody of the goldsmith.

THE MASTER OF MANKIND

The essential of the process would be the signature of the goldsmith upon the receipt, rather than the actual existence of the plate in his possession.

You will see how by an almost imperceptible process of transition the power of issuing money passed from the owner of the wealth, firstly, to the custodian of the wealth, and finally to any individual or organisation which had the reputation for integrity and would back that reputation by his signature.

At the present time this divorce between the owners or creators of wealth and the creators of money, or as it is technically called, "effective demand," has become almost complete.

In the modern world, as we have been specifically told by such a banking chairman as Mr. Reginald McKenna, all but an insignificant fraction, probably not amounting to more than 0.7 of 1 per cent. of the money in circulation, is actually created by the banks and is claimed as their property.

In technical phraseology, "every bank loan creates a deposit, and the purchase of a security by a bank creates a deposit, and the repayment of every bank loan destroys a deposit, and the sale of securities by a bank also destroys a deposit."

In plain English, this means that when a bank allows a customer an overdraft or discounts a bill for

him, it actually creates the money represented by the overdraft, and lends it to the customer at interest, and when it buys a security, a stock, a share, or a debenture in the open market it gets it for nothing by the simple process of writing a cheque upon itself, which it never omits to honour.

Since the orthodox and correct definition of money is "anything, no matter of what it is made, nor why people want it, no one will refuse in exchange for his goods or services," you can see at once that this monopoly of the power of creating money, or, as we call it, "the monopoly of credit," means that those who are in possession of this monopoly are the potential or actual owners of everything produced in the world.

Now by a convention, the origin of which goes back into the mists of antiquity, a debtor is the servant of his creditor until his debt is repaid, and since the banking system is the origin of modern money and never gives money, but always lends it, and since under our modern money economy we are all of us obliged to have the use of money, we are quite indisputably all of us directly or indirectly the servants of the banks.

I do not suppose that this point requires much emphasis at the present time, but if it does I would merely ask you to consider the effects that have been produced by what is, in fact, merely a moderate deflation or retirement of bank money during the past fourteen years, and to imagine, if you can, the effect which would have been produced had every bank in this country called in every loan which it held upon its books, as legally it was entitled to do.

I feel sure you will agree without further argument that money at the present time is our master, and not our servant.

It will at once occur to many of you to object that, while the money system, with its mechanism of the banks and insurance companies, is plainly, at the present time, the master of mankind, banks, insurance

companies, and other financial institutions are like anything else, subject to the Governments of the country in which they are situated.

Exactly to what extent this is true in Great Britain in view of the fact that the Bank of England holds its charter from Parliament it is very difficult to say, but there is no doubt whatever about the position elsewhere. Twenty-six new central banks have been founded since the war, not including the Bank of International Settlement, which forms a coping-stone of the international banking organisation. Each one of these contains in its constitution an article specifically placing it outside the control of the Government of the country in which it is situated. During the financial crisis of 1932, Mr. Hoover, then President of the United States, addressed a strongly-worded letter placing responsibility for the crisis on the Federal Reserve Bank system, which largely constitutes the central banking of the United States. Mr. Eugene Meyer, on behalf of the Federal Reserve Bank, replied that the President's views should have consideration. Whether they did have this consideration or not, no action along the lines indicated by ex-President Hoover was taken.

There is, in fact, at the present time in full operation an international government of the world operating through the economic system of every country, not elected, not subject to removal by any of the ordinary mechanisms which we apply to political government.

It is quite obvious that the important question in regard to this situation is whether the results which are obtained by this international government are satisfactory, and for an answer to this question I think we have only to look around the world at the present day.

The first aspect which strikes us, although perhaps not, in fact, the most immediately important, is what has come to be known as the paradox of poverty amidst plenty. To see this in its simplest form we

have again to turn to the United States of America, where real—that is to say, physical—wealth and the means to produce wealth have been developed to an extent probably exceeding that obtaining elsewhere.

Not only that, but the United States is the outstanding example of an immense continental area, free from internal tariffs, producing pretty nearly everything required for her own consumption, and apparently in control of her own destiny to an extent not equalled elsewhere. Yet at the present time there are said to be 40,000,000 of people actually faced with starvation, while at the same time immense quantities of foodstuffs and other valuables are being destroyed or wasted because they cannot be used. The same situation can be found in every highly industrialised country. Germany, probably the next highly industrialised to the United States, is a good second in the magnitude of her internal problems.

But, while this paradox of poverty in the midst of plenty is serious enough in all conscience, a second problem, arising directly out of it, is in a sense more serious in that it may finally destroy civilisation. I refer, of course, to the threat now so imminent of another great war.

It is now becoming widely understood that the danger, or perhaps, one might almost say, the certainty, of war arises directly out of the conditions caused by the existing financial system. These conditions require that every country shall have what is called a favourable balance of trade. That is to say, that it shall export more than it imports.

It is quite obvious that a hundred years ago, when practically the only industrial nation was our own, and there was the whole world to export to, it was easy to have such a so-called favourable balance of trade.

But as intensive industrialisation has placed the same problem before the politicians of every country, and at the same time the undeveloped regions of the

world have been steadily shrinking, the competition for the control of areas in which to dump the exports required to produce this so-called favourable balance of trade has become intensified, and has now reached a point at which for practical purposes China and the Far East generally form the sole prize left for competition.

Failure to compete successfully means an internal so-called unemployment problem, and success in the competition can only be accompanied, as you may see by reading your daily press, by war either with or against Japan.

It is doubtful whether any human action can avert the consequences of this situation in time to be effective, but it is quite certain that only a radical change in the financial system can touch the roots of the trouble.

GOOD-BYE TO POVERTY!

Let us now see if we can ascertain the main lines such a reformation would have to take.

Let us first begin by realising that the poor are not poor because the rich are rich. If everyone who needs bread to-day had it the rich would have just as much bread as they use. The same argument can be applied to almost every item which goes to make up what we call "a high standard of living." The very existence of what has been referred to as the economic paradox—that of poverty amidst plenty—ought to be sufficient to indicate to us that it is a shortage of purchasing-power, and not a shortage of real wealth, which is at the root of our troubles.

Another way of putting this, and one which is essential to an understanding of the situation, is that the financial system as it exists to-day presents a false picture of the economic state of affairs in the world. If you will take your minds back to the original money system founded upon leather discs representing cattle, you will remember that there was a strict relation between the number of cattle and the number

of discs—one disc, one head of cattle. Now there is no such relationship to-day.

The simplest way of realising this is by realising that if you grow a ton of potatoes, you do not in any way grow or produce the money wherewith to buy that ton of potatoes. If you sell your ton of potatoes, you merely get for them the money that someone else had previously. The manufacture and production of goods and services in the modern world is a process fundamentally separate from the manufacture or production of the money wherewith alone they can be bought.

It is in this fact that the germ of the illusion of poverty amidst plenty arises, and the first necessity of a sound money system is that it should present a true picture of real wealth as it exists from day to day.

The second necessity of a sound money system at the present day is one of almost equal importance and carrying with it the seeds of an entirely new civilisation. It arises out of the introduction into the industrial and economic process of solar energy, by which I mean what we commonly refer to as mechanical or electrical power. Most of us in a vague way realise as we put it, that machinery is displacing labour, but few of us who are not specially engaged in research into the matter realise to what an extent this is true.

One of my friends has calculated that without any marked improvement of process, but merely proceeding along our present lines, we should by 1940 have over eight million unemployed in this country, for the same output, and as, at the present time, there are under seventeen million in the employable population, that will mean that more than half of the employable population will be, as we now phrase it, "unemployed." Personally, I have no doubt that this is an under-estimate.

I have in my possession curves which I propose to exhibit in the course of a paper to the Institution

of Mechanical Engineers at Cardiff on Thursday, which show that the human labour required per unit of average production is decreasing as the fourth inverse power of the increment of time.

If this curve is correct, and I have no reason to doubt its reasonable accuracy, then in ten years' time the necessary work of the world could be carried on easily be about a tenth of the available labour.

You will at once see that this factor renders a distribution system founded on a wage and salary system almost wholly obsolete. If you have nine-tenths of the population unemployed, as we phrase it, even if the other tenth is easily capable of producing all that the whole population requires, nine-tenths of the population will not receive wages and salaries, and therefore will not be able to buy the goods that are produced.

It seems to me to be entirely beyond reasonable discussion that this system can only be met by a wide extension of the dividend system, and you will not fail to notice that at the present time the financial system, so far from extending the dividend system, is making it nearly impossible for the average commercial undertaking to pay a dividend at all.

You will realise without much difficulty that, while the main necessities of the situation are largely covered by these two far-reaching modifications, the details become technical and are not, in my opinion, very suitable for elaboration at a public meeting.

I have published a tentative scheme embodying "A Draft Scheme for the Reconstruction of Scotland." This scheme was first published in the "Glasgow Evening Times," and has recently been reprinted in the "New English Weekly," "The New Age," and the "Free Man," the latter being published in Edinburgh.

Amongst the more general results of putting into operation such a scheme might be mentioned the fact that the general population would be free for ever from poverty and the fear of poverty.

What is known as the "unemployment problem" would disappear for ever. While foreign trade would still be desirable and would probably, in my opinion, increase, there would be no "financial" necessity for foreign trade, because there would be no necessity as at present for what is called a favourable balance of trade, and as a result of this we should remove for ever the fundamental incentive to war.

The labours of our scientists, our engineers, and our organisers have brought us to the edge of a new world—a world of leisure affording opportunities for the expansion of a real culture, such as history has never even contemplated.

If we refuse to accept this opportunity which has been placed before us, and from entering into which we are only prevented by an obsolete, if not iniquitous, financial system, make no mistake as to the issue.

There is no possibility of a peaceful retreat into the age of leisure. The alternative is a world cataclysm, in which this civilisation may easily pass away, as did those of Egypt and Rome, probably from substantially the same causes.

INTERNATIONAL FINANCE THE NECESSITY FOR A NATIONAL RATHER THAN AN INTERNATIONAL FINANCIAL SYSTEM

Address to the Bournemouth Rotary Club, June 20, 1932
BY C. H. DOUGLAS

PERHAPS the simplest approach to a grasp of a subject which at the present time transcends in immediate importance that of any other, is obtained by observing that finance at the present time is subject to international rather than national control. This control, so far as Great Britain is concerned, may not be so absolute as was the case a year ago, when we were still operating our finances on what was erroneously called the "Gold Standard," which was, in fact, merely an international system with a somewhat nebulous gold backing. But the international element in our finance is still very strong, and our central bank, the Bank of England, is unquestionably swayed by many considerations which are not related to the special interests of the people of this country. It is by no means certain, for instance, that the so-called departure from gold is anything but devaluation of a gold exchange standard.

As a result of the international nature of finance, we find that in varying degree the present economic crisis is a world crisis, and because finance is in a position to control mass publicity (and, in fact, control of finance and control of publicity may almost be said to be interdependent), we notice a general suggestion in the inspired Press that the international character of the economic crisis is inevitable, that the world is now one economic unit, and no nation can be restored to economic health by means of a world-wide character.

Now, whether it be because of the natural intellectual laziness of human nature, or as a result of the collective hypnotism which is imposed upon us by our Press and broadcasting agencies, it does not even seem to occur to people to question the manifest absurdity

of such a statement. Yet the most cursory investigation is sufficient to disclose the fact that, at any rate, at present, the world crisis is a money crisis and not a goods crisis—that we are starving in the midst of plenty. I may say at this point that should the sabotage and the breakup of productive organisation continue at the pace at which it is now proceeding, I can easily conceive it as being possible that the money crisis may merge into something very much more real in the form of a famine of goods and services. At the moment, however, there is not any failure of the productive system, but a failure in the link between production and consumption; the other words, the money system. There can be no other possible cause of what is called the "economic paradox," by which the world is starving and in a state of economic crisis amidst a plentiful supply of real wealth of all descriptions. And however far from technical perfection may be the production system, and however far from moral perfection may be either labour or the consumer, it is beyond possible discussion that the control of the situation at the present time is vested in those who control this link which connects the producer and the consumer.

At the annual meeting of the Bank of England in 1930 one of the principal shareholders, Mr. Hargreaves, remarked, "They held the hegemony of the world." Mr. Montagu Norman, the Governor of the Bank, commented on this to the effect that he believed it to be largely true, and that it was the result of the work which the Bank had devoted first of all to the stabilisation of Europe, and secondly to the relationships between the central banks. So that, I think, we are in a position to say that, on its own showing, international finance has been, and, for that matter, is, in control of the situation, and if this is so, the present situation is the direct result of this control, and international finance is responsible for it. What is that situation? Germany, probably the finest technically equipped nation in the world, is in a state of starvation and distress, which may at any moment resolve itself into revolution. Austria, the special object of the attention

of international finance, is ruined and despairing. The United States of America, which offer in themselves an example of a continent operating under a single unified currency, complete freedom of trade, almost unlimited natural resources, and a high-trained industrial and farming population, is faced with a situation which, if it is not relieved in the coming winter, will unquestionably break out into armed civil war, in spite of the fact that the late Secretary to the Treasury, now Ambassador to Great Britain, announced a few weeks ago that deflation was proceeding smoothly, and without rioting. The curve of suicides and the curve of bankruptcies compete with each other in their rise to ever fresh record heights, and mutterings of a coming world war can be plainly heard by those who are trained to hear them. Side by side with this situation is an increasing volume of organised propaganda for the abolition of national sovereignty, the international and general detestation of war (not merely as a moral crime, but as a manifestation of world insanity), being capitalised to suggest the surrender of individual, local, and national initiative into the hands of international authorities who, as I have endeavoured to suggest to you, have demonstrated their signal unwillingness to deal with the situation. The argument that war is a result of the existence of nations and would be abolished by the abolition of national sovereignty is just about as sensible as to say that quarrels between individuals are the result of the existence of individuals and would be abolished by the abolition of individuals.

Now, since there is no question of the existence of a very considerable measure of internationally controlled finance, and we daily have evidence of systematic propaganda for its extension in the face of the conspicuous lack of success which attends its efforts to the extent that they are directed to the advantage of the individual, it may perhaps be worth a few moments' attention to consider what are the probable motives behind such a policy. In the first place we can, of course, put out of our minds any material advantage to its protagonists, who are for the most part in potential possession of all

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the material wealth that the world can afford. The first objective is, I think, unquestionably that which has always been operating in a certain type of mentality through historic times—the desire for power. As at present constituted, finance is the pre-eminent agent of policy, and financial control of the world would mean control of policy of the world; in other words, a world dictatorship.

But I do not think that this fairly obvious explanation either goes quite deep enough, nor does it, in fact, provide us with a sufficiently broad basis for criticism. When we accuse the world's great financiers of being merely conscienceless buccaneers, there is a sense in which we do them less than justice, and at the same time fail to recognise the deadly danger which they embody. The great financier is in most cases a great idealist, and sooner or later constructs a Utopia which it is his constant endeavour to impose upon the world. Now the point I wish to make to you, and which I feel sure will at first have a tendency to shock you, is that society is never in more deadly danger than when it is committed to the mercies of the idealist, and particularly the Utopianist. The fact is that there is no single Utopia which would give satisfaction to more than a very small percentage of us, and that what we really demand of existence is not that we shall be put into somebody else's Utopia, but that we shall be put into a position to construct a Utopia of our own. And this idea of a centrally controlled world in which everyone lived under uniform conditions, elaborated on the basis of statistics, either of the Census or otherwise, is at the back of the drive which is being made to induce us to believe that the world can be considered as a single unit.

Cultures, climate, tradition, race, and habit, all give the lie to this idea, and as the human personality develops, it becomes more individualised and specialised in its outlook, and less and less amenable to one universalised set of conditions.

It is, therefore, I think, permissible to say, even if we assume an extraordinary high level of administrative

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integrity detached from all possibility of sectional influence, that a world finance, which means in essence control of world policy, is wholly unsound in principle and based upon what can only be called in the most moderate terms, a complete misconception both of human nature and successful organisation. There is not, however, to be brutally frank, any sound ground of experience for assuming that such detachment is reasonably possible. To anyone with knowledge of the League of Nations at Geneva, or the Bank of International Settlements at Basle, it is beyond reasonable question that those institutions from their very inception have been the focus of intrigue and wirepulling, apart from their conspicuous failure to achieve the results for which they were ostensibly created.

It is not my intention to touch at any great length upon the purely technical side of the problem, but there is one aspect of it which is easily grasped and which is of first-class importance, and that is the one which was expounded with great ability by Professor J. W. Scott, whose views, which I endorse, may be given in his own words. "If the country's money is peculiar to itself, and sells abroad purely as a commodity, the British manufacturer can henceforth have no rivals in the home markets except his own countrymen, even when the country's ports are free." The reason for this is this, of course, that the British manufacturer will only accept payment in British currency, and the purchase of foreign currency by British currency does not mean that so much trade has permanently gone abroad, but, on the contrary, means that the money which went to buy the foreign currency must eventually return in return for British goods, as it is only at that point that it is available for purchasing power.

To any unbiased observer of the condition of the world at the present time it must be obvious that the populations of the world are becoming increasingly dissatisfied with the outcome of the policy of delegated responsibility. We have delegated our personal quarrels to the law, and the law has become so encumbered and expensive that the wise man is prepared to accept almost

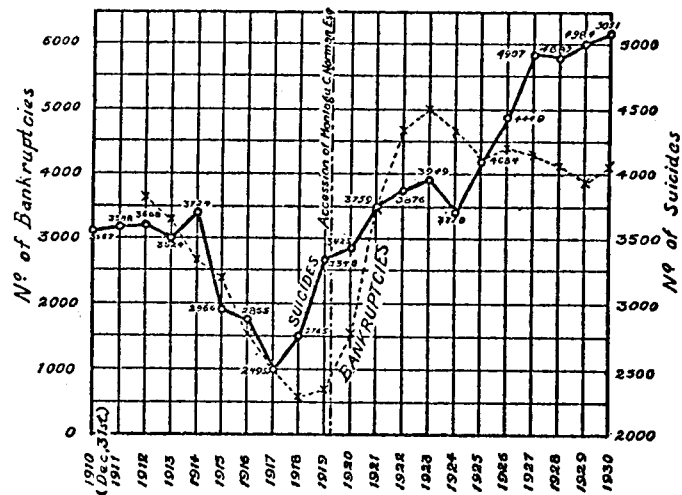
any injustice rather than to invoke it. We have delegated our agriculture to the forces of international speculation, and our agriculture is ruined, and we are liable to starvation in six weeks' time if a blockage is established. It seems to me that the delegation of finance, which has already been wrested from the control of the individual, to a de facto international government, or to some international organisation which would be completely outside the control of every individual whose interests were at its mercy, would be equal to setting up a nightmare tyranny beside which the dream of world dominion attributed to Napoleon and the last Emperor of Germany would be attractive.

"THE ABOMINATION WHICH MAKETH DESOLATE"

BY MAJOR C. H. DOUGLAS

IT is an unfortunate defect in our attitude towards human affairs that we place an inordinate value upon human life, but a trivial value upon human happiness. You may subject an employee or a member of your family to persistent mental and physical cruelty in the form of bad working conditions, unjust treatment, and a myriad other minor and major inhumanities, and within very wide limits (and in particular if you do not exceed the conditions which are accepted as normal) it is unlikely that you will receive much criticism. You may lend a widow £20 and make her life a misery by the recovery of interest at 75 per cent. per annum, and unless, as is most improbable, she herself takes the matter into court, nothing will be heard of it. But if the widow's son, goaded by his mother's misery, in a fit of uncontrollable rage waylays the money lender with a coal hammer, and removes that gentleman to other spheres of activity, the son will, in all probability, be hanged, after the whole tremendous machinery of the law has automatically been set in motion for his apprehension and destruction, and the mother will be rendered still more miserable.

In consequence of this curious disregard for long drawn out misery, and the disproportionate solicitude in regard to the final termination of it, there are no statistics of human unhappiness until that unhappiness becomes so unbearable that the sufferer feels that it can no longer be endured, and himself places a period to it by suicide. When such a climax has been reached, however, society immediately takes an effective interest in his remains. It employs scientists to ascertain the physical cause of death, and detaches citizens from their normal pursuits in order that their observations on the state of mind of the deceased, who, for the first time, becomes interesting, may be recorded. Finally, the



The curves demonstrate in a remarkable manner the predominant affect, of financial anxiety in contributing to despair and suicide. The deflationary policy of the Bank of England, inaugurated in April, 1920, was immediately reflected in a rise during that year of bankruptcies from just over 700 to just over 1500. During the ten years in which this policy has been in operation, bankruptcies per annum have increased by 60 per cent., and suicides by nearly 100 per cent.

suicide becomes an item in a book of statistics, and is available as the raw material of a curve.

It is evident, I think, that one may regard suicide as being the culmination of a long period of unhappiness and mental or physical stress, although not all mental and physical stress culminates in suicide. If, therefore, we can find a set of statistics which in the main vary in accordance with the statistics of suicide, we are, I think, in a position to say, in the phrase of the mathematician, that one set of statistics is a function of the other; that there is something which connects the two sets of statistics.

Now a glance at the graph is sufficient to show that one of the curves is a function of the other. In fact, the variation of one curve in accordance with the variation of the other is most remarkable, and is sufficient to show that the intervention of any other cause not allowed for in the plotting of the two curves is surprisingly unimportant. Where two curves vary together one of them is called the "dependent variable," and the other is called the "independent variable," and we have therefore to decide whether it is suicides which cause bankruptcies or bankruptcies which cause suicides. This dilemma need not detail us long. We have only to examine the recorded reasons for bankruptcies, and the reasons for suicides, to find that, while financial worry is the commonest predisposing cause of suicide, suicide is almost never given as a predisposing cause of bankruptcy.

We can therefore deduce from official statistics that the greatest factor in human unhappiness is financial worry, of which bankruptcy may be regarded as the final stage. We can also deduce from the same statistics that this unhappiness is not inherent in the nature of things, but is a definite and traceable result of a policy, human in conception and human in execution. On the basis of the curves shown, human distress, mental and physical, in this country has increased by more than 100 per cent. in the last ten years, and that increase coincides with the period of office of the present Governor of the

Bank of England. I have no doubt at all that he would be horrified to believe that he had doubled the misery of this country in ten years, and very probably had been instrumental in a similar situation in all those countries where the policy of the Bank of England has become effective. But while I should not suggest for an instant that Mr. Norman has been actuated by anything but what he considers to be the best motives, I think that it is time our English convention (that no individual is responsible for the policy which he carries out if he does not originate it) should be dropped, and that Mr. Norman should be identified with the results of the Bank of England's policy, so long as he remains Governor of the Bank of England.

I fear it will not happen, but if a few rough, vulgar men could express to Mr. Norman their rough, vulgar opinion of a policy by which English and Scottish men and women are being butchered to make an international financial holiday, it might act as a stimulant to his imagination—if he recovered.

THE RELATION BETWEEN THE MONEY SYSTEM AND INDUSTRIAL ORGANISATION

BY C. H. DOUGLAS

(Reprinted from the "New English Weekly")

THERE is probably no aspect of the economic life of the nation which has been the subject of greater misunderstanding than that which I have chosen as a title for my address to you to-night. In the past, authority and economic privilege have been so inseparable that it has unconsciously come to be assumed by the great majority of people that they are—

(1) In fact, inseparable, and that one of them is a consequence of the other. Another way of putting this confusion is that policy and administration have been assumed to be the one and the same thing, an idea which is, of course, at the bottom of most socialist schemes for the reorganisation of industry.

(2) Possibly arising out of this idea is the allied idea that what is called "profit" is in itself a wrong thing, and that a system which produces for profit is condemned on those grounds alone.

Now before endeavouring to separate and analyse this confusion, which is world-wide, in regard to the two quite separate subjects of policy and administration, I should like to devote a few minutes to this question of profit, because, in one form or another, it is probable that the whole future of civilisation depends on a right understanding of it, at any rate, by an informed minority.

(3) The subject is commonly approached as though profit were an artificial thing, simply dependent upon some system, most usually referred to as the capitalist system. The first point on which to be quite clear is that the modern system of production, at any rate, quite inevitably, makes a high profit.

(4) What it fails conspicuously to do is to distribute that profit, even to the capitalist.

(5) In order to understand this most important point, I should like you to substitute for the word "profit" the phrase "the unearned increment of association." Now what do we mean by this? I think that I can put it into terms which will be grasped at once by a railway audience, and particularly by railwaymen who have experience on railways in new and rapidly developing countries. Consider the case of a railway in a new country. Almost invariably it starts from some town on the coast, which has been developed so as to become a centre of population and of importance. The line is pushed out into the hinterland, and, immediately, land on either side of the railway line jumps enormously in value. Please be quite clear in your mind that not only does it jump in price, but it jumps in real value. If, for instance, it is growing wheat, the wheat belt on either side of the railway is available to a far larger population than was the case before, or, as it is commonly put, gains access to the world's market. It is quite impossible to say, with any truth, that this increase of real value, both in the wheat and the railway line, because it traverses the wheat, is due to the efforts of either the people who constructed the railway or the people who grew the wheat. It is something which arises automatically from the association of the two of them. Just for the moment, notice that, though the land rises both in value and price, it does not thereby create any new money to pay the price. Now this idea of creating the unearned increment of association is the root idea behind our modern production system.

(6) When we bring a number of men together in a factory and link their efforts by real capital (by which, of course, I do not mean money, but tools and processes, and organisation, and scientific knowledge, and many other things) we do so because by bringing them together to use these things their production is enormously in excess of what it would be if they worked separately, and the fact that this idea is unquestionably and fundamentally sound has nothing whatever to do with the alleged annexation of the whole of this profit

or unearned increment by something called the capitalist, assuming that he does, in fact, annex it, which is increasingly doubtful. The point that I am concerned to make is as to the existence, actual or potential, of this real profit.

(7) Now, one of the factors, and only one of the factors, in obtaining this real profit, is administration, and I should define administration as being a concerted attempt at co-operation for the attainment of a given policy. If you have grasped the foregoing, I think, quite simple idea, I think you will agree that the proper objective of policy to apply to a production system is to aim at the greatest possible unearned increment of production, or profit, in a real, as apart from a financial, sense.

(8) Before turning to the problems involved in the distribution of this unearned increment, when we have succeeded in obtaining it, I should like you to consider our actions at the present time in the light of this idea. Are we either pursuing the objective of maximising the unearned increment of production preparatory to distributing it, or are we, in fact, aiming at something entirely different? I think you will agree on examination that two completely opposite and mutually incompatible policies are at work in industry at the present time. Let us consider, for instance, the railways. What is the object of a railway?

(9) That seems to be a simple enough question, but there are quite a number of answers which could be given to it at the present time. If you asked an intelligent child, he would give you, in effect, probably the most intelligent answer which could be given, and that is that the object of a railway is to deliver transportation service; but if you were to ask a truthful employee of a railway, he might say, "The object of a railway is to pay my wages"; and if you were to ask a truthful financier, if there is such a thing, what the object of a railway was, he would reply, "To make profits," and by profits he would mean money profits.

(10) Now, two out of three of these answers quite definitely assume that a railway makes money, using

the word "makes" in the same sense that we use it when we say that a brick-making machine makes bricks. But a railway does not make money at all; it makes transportation, and when it sells that transportation in exchange for money it merely gets the money that somebody else had, so that you see there are two quite distinct policies running through the operation of a railway, and since it is a fundamental in the existing financial system, that any (11) business undertaking must at least recover the whole of its disbursed costs from the public, or go into liquidation, it does not take very much consideration to see that the first and ruling policy of a railway is to get money from the public to meet both the demands of its employees for wages and salaries, and the demands of the financier and the shareholder for dividends, and that any quarrel as between the wage and salary earner and the dividend receiver is merely an internal quarrel, which does not, as a matter of fact, affect the over-riding policy.

(12) Now the next point which I think it is necessary to examine is whether a policy such as I have suggested is laid down by the existing financial system and a policy of making a railway the most effective instrument for transportation can be pursued at one and the same time, and I will say at once, before going further, that I do not think that this is possible. Remember that the over-riding policy—that is to say, the policy without which, under existing circumstances, the railway cannot continue to exist at all, is to obtain wages, salaries, and dividends from the public.

(13) If less money can be obtained from the public for the transportation service, then less money can be paid to the employees of the railway, or to the shareholders. Not only that, but less money can be expended by the railway in improving and maintaining its rolling stock, its organisation, and its equipment generally.

(14) The situation which is created is, I think, entirely beyond dispute. It is a situation which involves quite fundamentally an antagonism between such a thing as a railway organisation and a public. The over-riding interest of the railway company, considered as an

organisation, is to get the maximum amount of money from the public. The over-riding interest of the public, considered as an organisation, is to get the maximum service from the railway, with the minimum amount of payment in money.

(15) I do not suppose that, as individuals, there is a single member of the public who does not hold the railway service, particularly in England, in the most whole-hearted admiration, nor do I suppose that, as individuals, there is a single member of the railway organisation who does not fundamentally regard himself as a servant of the public. But while this is so, the sentiment which is involved is, I think, in practice almost wholly ineffective. It may have some influence in promoting those kindly and courteous relations between the individuals of the public and the individuals of the railway service, which do, on the whole, exist, but, to put the matter in the most simple terms, it does not prevent the average railway passenger or consignor of freight considering that he is being exploited, nor the average railway servant from considering that he is underpaid. There is, moreover, an influence at work in this situation which, in its effects on the railway itself, I believe to be wholly bad.

(16) For reasons into which it is not necessary to go at the moment, the financial cost of any service, such as that of the railways, has a tendency to rise above the ability of the public to pay the prices demanded. The result of this is to stimulate the public to find an alternative source of the same service, as, for instance, road transport, at the present time. The reply of such a large organisation as a railway system almost invariably would be to create a monopoly with a view to strangling such competition and leaving the public no alternative but to pay the price demanded. The outcome of this is the artificial obsolescence of a means of transportation which may, and probably has still, important functions and service to render to the public. The strangulation of the canal system in England by the railways and the threat to the railways at the pre-

sent time by the roads, are instances of what I mean, which will be readily appreciated by a railway audience.

(17) Accepting the foregoing statement as being reasonably beyond effective contradiction, which I think is the case, is it possible to find, without over-simplification of the problem, any root cause of this radical divergence between the interest of the railway, considered as an organisation, together with its employees, and the interest of the public? Certainly I have no doubt whatever that there is such a root cause, and it is not really very difficult to discover. Put into general terms, it is that there is no provision in the operation of a railway for the monetisation, in the first place, and the distribution of that monetisation in the second place, of what we referred to as "the unearned increment of association." Looked at from the realistic point of view, every additional service which a railway renders is not only an increase in the wealth of the world by the amount of that single service, but it is a contribution, by the process which I described at the beginning of my address, to this unearned increment of association. But as things are at the present time, such an additional service must inevitably be paid for by extracting a certain amount of money from the public, or else it must be paid for, as one might say, from the opposite side of the ledger, by getting more service from the existing railway organisation without the distribution of more money. In neither of these cases is there any financial reflection of the physical process which has taken place.

(18) It is quite a fallacious argument, although I have heard it advanced, to say that the public receives this unearned increment by getting more value for the same money. If the Great Western Railway were to put on an express train from Snow Hill to Paddington at 10 o'clock, which would enable me to get back to London to-night, that train would have to pay for itself by collecting more money from the public than would otherwise have been collected, and there is nothing whatever in the organisation of the Great Western Railway Company which will enable it to distribute new money equivalent to the service performed by the new train. In other words, the cost of the new train has to be

collected from the public out of an existing stock of money.

(19) If I have made myself at all clear, you will, I think, have begun to see that all questions of the administration of a railway, such as nationalisation, are completely outside the over-riding necessity of, as the phrase goes, "making a railway pay," and making a railway pay simply amounts, in the last analysis, to obtaining more money from the public than is distributed through the wages, salaries, and dividends paid out by the railway. If we universalise this, we can see that the proposition is an impossible one if we regard money as being a fixed thing over which we have no power of expansion. But we know quite well that money is no such thing. It is no more fixed in amount than the number of tickets which are issued by a railway company are fixed in amount. To quote Mr. McKenna, of the Midland Bank, we know how the amount of money in a country varies. "Each loan by a bank creates a deposit, or an increase in the amount of money in the country, and the repayment of every loan destroys the equivalent amount of money." Similarly, the sale by a bank of a security increases the amount of money in the country, and the purchase by a bank of a security increases the amount of money in the country. So that we have two entirely separate and distinct processes going on in the industrial world at the present time.

We have the vast technical organisation, railways, factories, farms, and other productive enterprises, which are engaged in actually producing wealth in the true sense of the word. Parallel to these we have an entirely separate organisation, which creates money, and lends it to these organisations for distribution to the public through the agencies of wages, salaries and dividends. Since it is beyond all question, and is not denied, that this money organisation has control over the rate at which it creates and withdraws money, it seems beyond reasonable argument that either the whole economic process is under control of the money system which it forcibly slows or accelerates, according to financial

policy, or, alternatively, the two, more or less, pursue separate courses, and bear no very direct relation to each other. As a matter of fact, I think that both of these conditions exist to some extent in the economic life of the nation and the world to-day; that there is a strenuous effort made on the part of the banking system to control and influence the real productive system, and this is only partially successful, with the result that finance and industry can, at the present time, bear less and less relation to each other. If you had a railway which was fully equipped with locomotives, rolling stock, permanent way, and other necessities of a flourishing system, and you had a public which was clamouring to use this railway, but was met by the statement that only a limited number of tickets would be issued because the traffic department refuse to issue more except on its own terms, you would, I think, agree that it was time something happened to the traffic department. We are exactly in that position to-day in the industrial world. Our equipment is wholly adequate, our public is clamouring for the goods, but in between the two stands a ticket office, and that ticket office is the banking system. I have no doubt that the first step towards dealing with this question is to bring that ticket office under control, not necessarily by nationalising it, but by putting it into such a position that it must obey instructions in regard to the control and the issue of what is called "credit." Personally, I do not think that nationalisation of the banks is either necessary or wholly desirable. Unless done with great care, it would tend to ensconce in the bureaucracy of the nation something which is already tremendously strong, and which, under those conditions, would appear to be almost impregnable. Certainly, whether ultimately nationalised or not, I think it would be absolutely suicidal to nationalise the existing financial system. It is very questionable whether at the present time the banking system is not a great deal stronger than the governmental system. If it were incorporated in the governmental system without change, I see no earthly power which could reform it successfully without a military revolution.

DOUGLAS URGES PLAN OF ACTION

Following are some very significant extracts taken from a speech by

MAJOR C. H. DOUGLAS

WHAT are we aiming at? What are we trying to get?

Well, now, I will put it in a very large general form, as I see it from one point of view.

We are endeavouring to bring to birth a **NEW CIVILISATION**. We are doing something which really extends far beyond the confines of a change in the financial system.

We are hoping by various means, chiefly financial, to enable the human community to definitely step out of one type of civilisation into another type of civilisation, and the first and basic requirements as we see it, of that, is absolute economic security.

Now, if you accept that as a general statement of a proper and reasonable and timely object, then I want you to consider and agree with me that we want that objective on our own terms.

We are not going to sell our birthright for a mess of pottage.

It is quite definitely a birthright. I was speaking to a large meeting in Newcastle one night, and one person got up in the audience and said: "I am very puzzled about one thing. In the civilisation in which I have lived up till now, the human individual's title to a share in what you have been talking about (I had been talking about the Unearned Increment)—what I have always understood as the ordinary man's title to a share in the products of Industry, was employment. Now, employment is failing, and you have been telling us that you think it is a good thing and a proper thing! What is your definition of the title of the ordinary man to a share of the products of Service?"

The answer I gave to him was: I think the true title to a correct share—an overwhelmingly satisfactory

share—of the goods and services now available, is that every citizen of this country, at any rate, is a tenant for life of the Heritage of Western Civilisation.

* * *

I said a short time ago that we were in a position to change over from one civilisation to another.

That may have many aspects; I think it has, but the feet of people on this earth are on the ground, and the groundwork of all civilisations is economic. It is not the whole, but it is the groundwork. Man is not in a position to devote his time to other things unless he has bed, board and clothes. This situation is clearly, to my mind (and when I say "to my mind," I mean proved by solid, firm statistics), based on this glut, and one of the things which we have to be pre-eminently careful about is that the situation is not changed.

It is advisable to have a superfluity of goods in order that this situation, which makes it a problem of distribution, shall be maintained. I have no doubt that behind this seeming insanity of policy there is a definite and careful aim to so cut down production, that that glut will disappear, and that situation will disappear with it, and we have to be careful to see that everything we can do to defeat that policy is done.

Now, the world at the present time, while this order of things continues, is full of things which are put forward as being axiomatic, which are not axiomatic, but at the same time you accept them until you are shocked into consciousness of the foolishness of these things, and a great many of them are connected with collectivism.

A simple instance is this:

If I take a pistol and shoot someone in this room, I am culpable, and have committed a moral crime, and one against the law. But if a war were to break out, and I were to take a machine gun and kill fifty people, it would be a very fine thing, and I perhaps get the V.C.

There is an assumption that responsibility can be taken from a man for his own actions, and put on an organisation, and one of the features of this new

Civilisation is that with this individual security must come essential individual responsibility. That is, a thing which is a bad thing, when done under somebody else's orders, is not relieving one of the responsibility for that action.

This has a very practical application.

One of the things which is said, and often about this situation, and by people who criticise it at the present time is: "It is the system we are attacking, and not individuals." And there is a certain limited sense in which this is true. It is not true in the sense in which it is generally put forward; it is usually put forward from fear of really facing up to some individuals. Systems—at any rate, the system which we are dealing with—are composed of individuals, and if you absolve the individuals, then you deserve what you get. We have quite definitely got, so far as individuals are connected with this pernicious system, to make that position uncomfortable to them. I am certain that this point has got to be brought home.

I, myself, am not a serious sufferer under the present state of affairs, but I am sure we shall all be sufferers soon, and also that the amount of good which you can do by means of talking about undesirable systems is quite limited; you have got to bring this home to individuals, and I think the time has come when we shall have to placard the banks, stating what is the trouble and who is the cause of it, because the system arises out of the banks, as other speakers have told you.

Now, if you have an object on which you are all agreed, and you want to achieve that objective, you will either achieve it quite easily without any difficulty, or you will not achieve it easily, because somebody is opposing you. It is very necessary to be quite clear, first of all, who it is opposing you; if possible, why they are opposing you, and, if possible, what methods you can bring to bear to make them cease opposing you.

I am perfectly certain that the desirable and

proper thing for you to do at the present time is to concentrate on some plan of action. Now, we started by saying that we are under the delusion that we have in this country a mechanism which is waiting to be put into operation when you have got a sufficient consensus of opinion about it. As a result of that, up to the present time, most of the action which has been taken in regard to this explanation of the credit and financial situation, has been taken in regard to what you might call Propaganda.

It has, in effect, been of this nature: A man goes up to another and says, "Here's a good thing; help me to do it." And the other man runs to still another and says, "Here's a good thing; help me do it." And so the chain goes on.

Some day or other we have got to come to the point where someone comes along and says: "All right; let's do it, instead of trying to find someone else and pass the task on."

I am stressing this because the time is quite short in regard to this matter.

A good deal of time may be wasted in dealing with the so-called "Democratic machine."

In the first place, it takes a very long time to get an absolute majority for anything in this country. It takes a particularly long time, when you have a matter like this, which is not understood by more than a small proportion, and when the things you say seem unlike commonsense; and it requires a very long time to make your authority (if this interest can be sustained) understand that there are very great things in this matter that he had never thought of at all.

It is quite a serious and practical thing to ask, "Are you going to use the Democratic machine, or are you going to work by some other method?" This is a matter of great practical importance, and it has got to be faced up to, and I am putting it up to you to-night.

THIS TECHNOCRACY

BY C. H. DOUGLAS

(Reprinted from the "New Age")

IT is a dreadful thing to have a suspicious mind. During the past few weeks perhaps the main feature in the press of the United States and Great Britain has been the discovery of the findings of an American organisation operating under the name of "Technocracy." The subject has been featured in every London daily of large circulation, not excluding the "Times," while the press of the United States has, with a rapidity of apprehension which can only be described as remarkable, announced that the problem of the depression has now been solved, and that by a curious coincidence the defeat of Mr. Hoover will be practically contemporaneous with the return of prosperity. We have not yet had a series of addresses from the B.B.C. on the subject, but they will come.

Unfortunately, I seem to remember the same unanimity when that friend of the people, Viscount Snowden, put up his marvellous fight to save this country a problematical £2,400,000, or 1/400th of the American Debt, at the expense of France, while under cover of the noise which was thereby created the Bank of International Settlements was founded and endowed with powers which might easily determine the future of civilisation. It is true that the plan seems to have miscarried a little, but you can see the idea.

Now, stripped of what is locally called in the Land of the Free "Ballyhoo," what does Technocracy amount to in regard to fact, as distinct from policy? It has put forward in a dramatic form a number of statistics tending to prove that the rate of production per man-hour is a function of the mechanical power which is employed in production, and that this factor, combined with mechanical invention, organisation and other factors, has now enabled a small and diminishing portion of the available labour to produce everything required for a high standard of living, not only for the actual workers,

but for the increasingly unemployed section of the population. The data it has put forward is interesting, useful, and, I should imagine, in the main, incontrovertible; but it does not tell us anything which has not been a commonplace both to the engineer and to, in particular, the readers of this review. Over and above this, the technocrats have pointed out, also in a dramatic form, that this immensely accelerated production has not been brought by the general population, but has resulted, on the contrary, in a piling up of debt in the United States alone of approximately 218,000,000,000 dollars, representing unpaid for production. We have been saying so in this review for fourteen years, and have been endeavouring to explain exactly how this debt was piled up, and what would be the result of it.

Now, sound and incontrovertible as these facts are, they are not new, and they are by no means either novel or, in the main, attractive to those financial interests who control the press of Europe and America. How is it, then, that they have suddenly become "popular," and have obviously not only passed for publication, but have been included in the high policy which regards publicity as one of its tools?

In the first place, we have to remember that the knowledge of the increasing productivity of industry and the recognition that the world is starving in the midst of plenty has become, in spite of efforts to conceal and distort the fact, very widely recognised. To attempt for much longer to deny the facts of the situation would be still further to discredit those in control of policy, and it is increasingly recognised that those in control of policy are, in the main, financiers. The problem, therefore, is to use these facts to obtain an organisation which will still leave the present controllers of policy in the position which they regard as being vital. It is not the money system as such which is regarded as essential; it is the power and control which have been given to these financial dictators which is regarded as essential.

Now, as distinct from the facts, it is clear enough that the policy of Technocracy is syndicalist, and in essence does not differ very widely in its ultimate mean-

ing from the policy associated with Fascism, the centralised industry of Russia, or the rationalisation which is the Bank of England's particular brand of industrial reorganisation in Great Britain.

It is to be noted that it is more or less sponsored by Columbia University, the home of Doctor Nicholas Murray Butler, the financiers, and more particularly the Jewish financiers' University of New York. The wide publicity given to its findings coincides with the success of Colonel House in electing a democratic President, Mr. Roosevelt, who is surrounded, and whose policy is beyond question, dictated by the group which surrounded President Wilson, notably Mr. Bernard Baruch, Mr. Newton D. Baker, Colonel House himself, and Mr. Al. Smith, now editor of the "New Outlook," in whose November issue Mr. Wayne Parrish writes on Technocracy, Mr. Al. Smith on "The New Outlook," and Mr. Newton Baker writes on "Human Factors in a Depression." Our own Mr. Winston Churchill a few months ago gave a dinner in Mr. Baruch's honour, at which most of our financiers and elder statesmen were present, including, if my memory serves me rightly, Mr. Montagu Norman, who is ex-officio on the board of control of the "Times," whose finance is mainly supplied by the Astor family.

Under these conditions, while accepting gratefully the data both in regard to production and in regard to finance, which have been provided by this organisation, with whose progenitors I was already in touch in 1919 in New York, I think great caution is required in accepting the deductions which appear to be being put forward in their name as to the form of organisation which is indicated by this data. We have already had a Technocracy in this country and in the U.S.A. between the years 1916 and 1918. It is the best organisation for war. And you will remember that Mr. Bernard Baruch was the most powerful and important man in the United States during the war.

DOUGLAS DRAFT SCHEME FOR SCOTLAND

With Commentary by English Credit Study Group.

(1) Obtain from existing sources, such as company balance-sheets, land registration offices, and insurance companies, such information necessary to place a money valuation upon the whole of the capital assets of Scotland, such as land, roads, bridges, railways, canals, buildings, drainage and water schemes, minerals, semi-manufactured materials. No distinction between public and private property. Replacement values to be used where the property is in use.

Add to this the sum representing the present commercial capitalised value of the population. Such a figure exists and varies with the actuarial expectation of life and the plant capacity of the country, and is something like £10,000 for a citizen of the United States at the age of 25. From the grand total thus obtained a figure representing the price value of the Scottish capital account could be obtained. Financial credit to any equivalent can be created by any agency such as a Scottish Treasury empowered by the Scottish people.

COMMENTARY BY ENGLISH CREDIT STUDY GROUP.—Clause I.: (a) The word "buildings" is intended to include every kind of structure recognised as a building for rateable purposes; e.g., shipyards.

(b) Replacement value is taken to avoid reference to purely financial valuations, which are written down to represent the use value of premises under existing conditions of financial restraint of trade.

(c) The estimate of the commercialised value of an individual aged 25 years is given in the actuarial report of the Metropolitan Life Assurance Company of New York. Many factors are taken into account in ascertaining the commercialised value of a population, e.g., earning capacity, value of production, value as consumers. Broadly the value can be termed "Replacement value."

(d) A part of the financial credit referred to in the last sentence has already been issued by the existing Banking System. An ample balance is available for any creation of credit proposed under the Scheme.

(2) As from the initiation of this scheme, the holding of any stock, share, or bond by a holding company or trustee will not be recognised. It is the intention that no shareholding in any industrial undertaking shall be other than in the form of equity shares of no par value, i.e., Preference or Common shares or stock. Bonded indebtedness will be recognised for purposes of compensation where held by individuals, upon a proper investigation, but where held by corporations will be subject to such terms of redemption as may seem desirable.

COMMENTARY BY CREDIT STUDY GROUP.—Clause II., Par. I.: (a) The phrase "will not be recognised" means that legal protection could not be obtained for such transactions; but they would not be directly prevented. Their position would be somewhat the same as that of bets.

(b) "Trustee" includes Investment Trusts.

(c) This recalls the Mediaeval distinction between usury and investment. Since shares would have no par value, all investment would participate in the risk of the enterprise, and the tendency would be for industry to be conducted in smaller units, in which the advantages of direct contact between all those engaged would progressively be enjoyed. Quality and variety of product would tend to be reinstated in Industry. The anticipation is that the national dividend would provide the chief source of the investment, and this being new money created by the Treasury would carry no indebtedness to the Banks, whose creation of repayable credit for production would be gradually superseded.

(d) The intention would normally be to compensate by buying out rather than by guaranteeing income

(e) The intention with regard to corporate bodies

is to discriminate against purely financial holdings and all investment implemented by means of private creation of financial credit, e.g., War Loan and Debentures purchased by direct creation of money by the Banks.

(f) As a transitional measure redemptions could take the form of a long-dated Government Compensation Loan to individuals.

No transfer of real estate directly between either persons or business undertaking will be recognised. Persons or business undertakings desiring to relinquish the control of real immovable estate will do so to the Government, which will take any necessary steps to re-allot it to suitable applicants. No Government Department shall administer either directly or indirectly, any business, whether agricultural, productive, or distributive, other than the administration of the financial and credit schemes, or receive payment for any services rendered to the public, other than in bulk.

COMMENTARY BY CREDIT STUDY GROUP.—

Par. II.: (a) No legal title to real estate could be obtained unless the transfer was effected through the State (there is no more administrative difficulty in this than in the present requirements of Inland Revenue Stamps on documents).

(b) The reason that no restriction upon enhancement of rent is proposed, is that reliance is put upon genuine competition and the fact that without the existing restrictions plenty of alternative sites and properties will be available. Moreover, the passing of estates through the State Department at death of owner, or upon any transfer, will keep use value of all real property on an even and reasonable basis. The enhanced values of factory sites, residential sites, houses and agricultural land, will tend to become communal assets, not private assets.

(c) Non-residents in the country would be subject to the same regulations for transfer of real estate as residents.

(d) The principle to be applied to essential services—Water, Heat, Light, Post Office, Transport—

would be generally that of utility corporations under charter, but in an economic system (see restrictions upon legal status of purely financial holdings in Par. II.) in which "watering" of capital, and rigging of shares would be impossible.

(e) Payment for Government services being made only in bulk, no charge to the individual consumer would be made for, e.g., postal or transport services if these were nationalised.

THE INITIAL NATIONAL DIVIDEND

(3) For the purpose of the initial stages an arbitrary figure, such as 1 per cent. of the capital sum ascertained by the methods outlined in clause (1) shall be taken, and a notice published that every man, woman, and child of Scottish birth and approved length of residence, with the exception mentioned in the paragraph that follows, is to be entitled to share equally in the dividend thus obtained, which might be expected to exceed £300 per annum per family. It will be clearly understood that no interference with existing ownership, so-called is involved in such a proceeding. The dividend to be paid monthly by a draft on the Scottish Government credit, through the post office and not through the banks.

COMMENTARY BY CREDIT STUDY GROUP.—

Clause III.: (a) The distribution of the National Dividend would return to the Exchequer in the specific form of increased capital value of land; property and population would not only be maintained but increased. Under the accounting system laid down in Note 2 at foot of the Scheme, the maintenance and increase of capital value would be entered up against the cash distributed.

(b) The Dividend would only be distributed to residents in the country.

(c) Arrangements for parents and guardians to collect for juniors and incapables would be devised.

(d) The number of persons per family has been assumed to be four.

(e) It should be understood that although the family of four is the unit which has been taken for the purpose of estimating this figure, the dividend will credit to any equivalent can be created by any agency expected to exceed £75 per annum to each person.

(f) The provision of payment of the Dividend through the Post Office and not through the Banks is to ensure that the individual has the handling of it, and to preclude the possibility of its automatic application by financial houses in cancellation of indebtedness to them.

Any administrative change in the organisation of the post office should specifically exclude transfer of the money and postal order department and the savings bank. No payments of the National Dividend will be made except to individuals, and such payments will not be made where the net income of the individual for personal use, from other sources is more than four times that receivable in respect of the National Dividend. The National Dividend will be tax-free in perpetuity, and will not be taken into consideration in making any returns for taxation purposes, should such be required. Except as herein specified, this dividend will be inalienable.

COMMENTARY BY CREDIT STUDY GROUP.—

Par. II.: (a) The limitation to those whose income does not exceed four times the amount of the Dividend is a temporary and preliminary proposal. Ultimately the participation would extend to all citizens.

(b) Income Tax figures could be taken for purposes of calculation.

(c) The proposal is flat and not graduated because a line must be drawn, and the public is familiar with the method. The small amount of juggling possible to bring individuals within the Scheme would be unimportant.

“ASSISTED PRICE” FOR REGISTERED BUSINESSES

(4) Simultaneously with the publication of the foregoing notice a figure to be published known as the

discount rate, to replace the existing bank discount rate, a suitable value of this for initial purposes being 25 per cent. It is important that the figure should not be less than 25 per cent., and it might reasonably be higher.

COMMENTARY BY CREDIT STUDY GROUP.—

Clause IV.: (a) The price discount would replace bank discount by securing either the sale of the products or the crediting of the surplus to the community. This would obviate the necessity which obtains at present of discounting bills with the banks at heavy cost, to make payments (and repayments of financial advances) when uncertainty exists as to the disposal of the goods at remunerative prices, or at all. Bank discount is price discount upside down—a charge upon the public credit for private advantage instead of an advance of financial credit to the public for general advantage.

(5) Simultaneously, an announcement to be published that any or all business undertakings will be accepted for registration under an assisted price scheme. The conditions of such registration will be that their accounts, as at present required under the Companies Acts, should contain an additional item showing the average profit on turnover, and that their prices shall, as far as practicable, be maintained at a figure to include such average profit, where this is agreed as equitable for the type of business concerned (the suitable profit being, of course, largely dependent on the velocity of turn-over). Undertakings unable to show a profit after five years' operation to be struck off the register.

COMMENTARY BY CREDIT STUDY GROUP.—

Clause V.: (a) All businesses are available for registration. The price-assistance to businesses dealing with ultimate consumable goods is twofold—the authority thereby obtained to sell their products under the system of discount vouchers to consumers—thereby increasing sales (see Clause VI.); and the authority to reduce wages paid to organised workers by 25 per cent. (See Clause IX.). The price-assistance to all

other businesses consists directly only of the Wage reduction arrangement, but, of course, all will participate indirectly in the larger consumption, and in the much reduced prices (even apart from the price-discount to every individual as consumer) which will result.

(b) No direct restraint upon Trusts and Combines is imposed, but if undertakings of this kind stand outside the scheme they would be subject to prospective competition by smaller units enjoying this advantage, and they would be obliged to meet this competition from their own resources. The proposed percentage of discount must be sufficiently high to afford the maximum inducement to accept the Scheme. Moreover, the power they exercise at present would be largely diluted by the provisions of Clause II.

HOW FREE CREDITS WOULD BE ISSUED

(6) In consideration of the foregoing, all registered businesses will be authorised to issue with sales to ultimate consumers an account on suitable paper for use as explained in the following clause.

COMMENTARY BY CREDIT STUDY GROUP.—

Clause VI.: This refers only to sales to ultimate consumers.

(7) Payment for goods will be made in the ordinary way, either by cheque or currency. The purchaser will lodge his receipted account for goods bought with his bank in the same way that he now pays in cheques, and the discount percentage of the amount of such account will be re-credited to the consumer's banking account. Unregistered firms will not be supplied with the necessary bill forms for treatment in this manner, with the result that their prices will be 25 per cent., at least, higher than those of registered firms. (It is obvious that the larger the discount rate can be made the greater will be the handicap of the non-registered firms).

The total of the sums credited by the banks to private depositors in respect of these discounts will be reimbursed to them by a Scottish Treasury credit.

The capital account will be "depreciated" by such sums, and "appreciated" by all capital development. The existing banks will be empowered to charge an equitable sum for the services thus rendered.

COMMENTARY BY CREDIT STUDY GROUP.—

Clause VII.: (a) There would undoubtedly be a number of very small purchases which would be made without taking advantage of the price discount.

(b) The distribution of the National Dividend (see Clause III.) would ensure that the population in general would very quickly have banking accounts, and numerous methods of procedure are possible for assisting persons to take advantage of the Scheme.

(c) The Scottish Treasury Credit would, by the continuous process here indicated, keep the necessary record of appreciation (of real assets) and depreciation (of cash credit) upon which periodical calculations of the appropriate price-discount would be based. The continuous Treasury record would secure that no serious margin of error could occur, but any small error would be exposed by a shortage of goods against demand, and could then be corrected.

HOURS AND WAGES

(8) The hours of Government offices will be reduced to four hours per day. To meet the temporary congestion of work, additional staff will be employed, such staff, however, doing identical work with the existing staff in the form of a second shift, and sharing with the existing staff the chances of promotion irrespective of seniority. (The object of this is to discourage the well-known bureaucratic tendency to enhance the importance of existing staffs by employing additional numbers of persons ranking by virtue of seniority below the original officials, and, at the same time, to afford an opportunity of appointing a duplicate set of officials to check reaction without dislocation of existing routine).

COMMENTARY BY CREDIT STUDY GROUP.—

Clause VIII.: This proposal is ad hoc, and a matter of policy. Government should be the model employer in the matter of conditions and hours, and should inaugurate, as a general practice, the principle of work by shifts. It is to be noted that Government is to be precluded from engaging directly in any business. (See Clause II.)

(9) Wage rates in all organised industries will be reduced by 25 per cent. where such a reduction does not involve a loss to the wage-earner exceeding 20 per cent. of the sums received in the form of National Dividend. The wage rates ruling in 1928 to be taken as the basis against which the reduction would be made.

Any trade union violating a wage agreement to render its membership liable to suspension of National Dividend, and any employers' organisation committing a similar offence, to be liable to suspension of price assistance or wage reduction.

COMMENTARY BY ENGLISH STUDY GROUP.

—Clause IX. (a) The meaning of this Clause is that the wage rates in all organised industries will be reduced by 25 per cent. or by a figure representing 20 per cent. of the National Dividend to the individual, whichever is the smaller.

Examples:

(1) Wages	£100
Dividend	£75
25 per cent. on £100 =	£25
20 per cent. on £75 =	£15

Therefore, the reduction of Wages will be £15, leaving a total of £85, to which is added the Dividend of £75, making a total income of £160 compared with the original £100.

(2) When the Dividend is increased to a higher figure, say, £150.

Then, Wages	£100
Dividend	£150
25 per cent. on £100 =	£25
20 per cent. on £150 =	£30

In this case the reduction of Wages will be £25, leaving a total of £75, to which is added the Dividend of £150, making a total income of £225, compared with the original £100.

(b) Amongst the consequences of this provision are:—

(1) Assistance of Export Trade and thereby promotion of advantageous terms for imports of all kinds, notably raw materials.

(2) Protection of employees from much larger cuts in wages which might be attempted.

(c) Wage rates were higher in 1928 than at any other period during the last decade.

(d) The penalising clause relates only to violating an agreement and does not prevent any agitation for improved conditions, or denunciation of existing terms upon conclusion of an Agreement. Any dissentient member could resign and so protect himself from loss of his Dividend if the Union violated an Agreement.

MUST ACCEPT EMPLOYMENT, OR—

For a period of five years after the initiation of this scheme, failure on the part of any individual to accept employment in whatever trade, business, or vocation he was classified in the last census, under conditions recognised as suitable to that employment (unless exempted on a medical certificate) will render such individual liable to suspension of benefit in respect of the National Dividend.

COMMENTARY BY CREDIT STUDY GROUP:

(e) Compulsory acceptance of work if offered at Union rates of wages is designed to prevent the possibility of serious abandonment of necessary productive effort during the initial stages of the Scheme. It would also tend to secure to registered workers in any trade the first opportunity of resuming the craft in which they were trained. Revival of genuine competition and qualitative production would render unnecessary a corresponding restriction upon employers.

(10) Taxation of specific articles, or specific forms of property to be abolished. Any taxation found to be necessary to take the form either of a flat non-graduated taxation of net income or a percentage ad valorem tax upon sales, or both forms of taxation together.

COMMENTARY BY CREDIT STUDY GROUP.—

Clause X.: An ad valorem tax upon sales to consumers would represent a slight abatement of the price discount.

ADDENDUM (C. H. Douglas)

The price level of 1928 has been taken for the rough estimate of the items which, when added together, make up the Real Assets or Real Capital account of Scotland.

The Financial Credit, which is equivalent to this, appears in a National Account as a contra-item. Money and Real assets are on opposite sides of the account (and should balance) not, as in a commercial account, on the same side of the account.

WHAT TO READ

DOUGLAS LITERATURE

The following books on the New Economics may be obtained from the Douglas Social Credit Association, Suite 205, 29 Bligh Street, Sydney:—

By MAJOR C. H. DOUGLAS

Economic Democracy	5-6
Credit Power and Democracy	6-6
Social Credit	6-0
The Control and Distribution of Production ..	11-3
The Monopoly of Credit	5-6
Warning Democracy	10-6
Canada's Bankers and Canada's Credit	3-9
The Present Discontents and the Labour Party	1-6
The Douglas Theory	9
New and Old Economics	1-0
Breakdown of Employment System	4
McMillan Evidence	6

Men, Machines and Money. C. M. Hattersley	1-0
Deadlock in Finance. A. E. Powell	1-0
Real Wealth and Financial Poverty. W. H. Rhys	1-0
Outline of Social Credit. H.M.M.	1-0
Veil of Finance. A. E. Brenton	1-0
Social Credit Lectures. C. F. Galloway	3-0
Poverty Amidst Plenty. C. F. Galloway	1-0
Need We Repudiate? C. B. Da Costa	1-0
Story of Comm. Bank. D. J. Amos	6
