

## THE JUST PRICE

The practical problem, then, is to make it certain that commodities are produced under satisfactory conditions, and equally certain that they are distributed according to necessity.

*(Economic Democracy 94)*

The general answer to this problem may be stated in the four following propositions, which represent an effort to arrive at the Just Price:

- (1) Natural resources are common property, and the means for their exploitation should also be common property.
- (2) The payment to be made to the worker, no matter what the unit adopted, is the sum necessary to enable him to buy a definite share of ultimate products irrespective of the time taken to produce them.
- (3) The payment to be made to the improver of process, including direction, is to be based on the rate of decrease of human time-energy units resulting from the improvement, and is to take the form of an extension of facilities for further improvement in the same or other processes.
- (4) Labour is not exchangeable; product is.

No attempt will be made to prove these propositions since their validity rests on equity.

It should be noted particularly that none of these points has any relation to systems of administration, although a recognition of them would radically affect the distribution of personnel in any system of administration.

*(Economic Democracy 110-111)*

## The Control of Effective Demand

We have now arrived at this position; we desire to produce a definite programme of necessities with a minimum expenditure of time-energy units. We agree that the substitution of human effort by natural forces through the agency of machinery is the clear path to this end; and we require to correlate to this a system which will arrange for the equitable distribution of **92** the whole product while, at the same time, providing the most powerful incentive to efficiency possible.

*(Economic Democracy 109-110)*

Subject to fundamental provision that they deliver the goods to order, it is no business of the controllers of policy, the community, *how* the producers deliver them – that is a matter for agreement amongst the producers.

The goods having been delivered to order, it is the business of the community, to whose order they were made, to dispose of them – not the business of the producers, who would never have been able to function without the consent of society.

*(The Control and Distribution of Production 36)*

## Rate of Issue of Prices and Purchasing Power

In order, then, to acquire public control of economic policy, we have to control the whole mechanism of effective demand – the rate at which its vehicle, financial credit, is issued, the conditions on which it is issued, and take such measures as will ensure that the public, from whom it arises, are penalized by withdrawal of the vehicle to the minimum possible extent. It must be obvious that the real limit of the rate at which something representing purchasing power could be issued to the *public* is equal to the maximum rate at which goods can be produced, whereas the ‘taking back’ through prices of this purchasing power should be the equivalent of the fraction of this potential production which *is* delivered.

Let us imagine that wages, salaries and dividends, added together, were issued via the productive industries at a *rate* representing the maximum possible production of ultimate produces, and actual consumption was only one quarter of potential production. Then, clearly, the community would only have exercised one quarter of its potential demand. But the whole of the *costs* of production – the issues of purchasing power through the agencies of wages, salaries and dividends – would have to be allocated to the *actual* production as at present, and if we charge the public with the whole cost of production their total effective demand is taken from them.

But if we apply to the ascertained cost of production a fractional multiplier equal to the ratio of actual consumption to **93** potential production, than we take back in prices that portion of the total purchasing power which represents the actual energy draft on the productive resources of the community, and the price to the actual consumer would be, in the case above mentioned, 75 per cent less than commercial cost.

*(The Control and Distribution of Production 47-49)*

## Selling Below Cost

Now habits of thought are so powerful in their influence that at first sight a statement that the correct *price* of an article may be a low percentage of its *cost* is apt to induce both disbelief and ridicule. But if the matter be attacked from the other end, if it be realized that an article cannot be sold, nor can its exchange through export be sold, unless its average price is considerably less than cost; that if it cannot be sold the effort expended in making it is wasted; that if it is exported competitively every economic force is driving the community irresistibly towards war; it may then be agreed that it is worth while to consider whether the accepted principles of price making are so sacred that a world must be brought to ashes rather than that they should be analysed and revised.

*(The Control and Distribution of Production 79-80)*

The re-identification of real credit with financial credit is the vital issue; and it is proposed to show that this is dependent, in the first place, on the removal of the price-fixing process from the play of financial supply and demand, and the reference of it to the ratio between the credit-value of capital-production and the diminution of that credit-value by consumption.

*(These Present Discontents and the Labour Party 11)*

If I have made myself clear, you will see that credit-issue and price-making are the positive and negative aspects of the same thing, and we can only control the economic situation by controlling both of them – not one at a time, but both together, and in order to do this it is necessary to transfer the basis of the credit-system entirely away from *currency*, on which it now rests, to *useful productive capacity*. The issue of credit instruments will then not result in an expansion of <sup>94</sup>money for the same or a diminishing amount of goods, which is inflation, but in an expansion of goods for the same or a diminishing amount of money, which is deflation.

*(The Control and Distribution of Production 49)*

Now the *core of this problem is the fact that money which is distributed in respect of articles which do not come into buying range of the persons to whom the money is distributed is not real money* – it is simply inflation of 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 all these things, and we want to make these wages real money, we have to establish a relation between total production, represented by total wages, 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 descriptions bears to *total* consumption and depreciation.

*(The Control and Distribution of Production 72)*

## The Formula for Price-Compensation

Price shall bear the same ratio to Cost as the total National Consumption of all descriptions of commodities does to the total National Production of Credit – i.e.

Cost : Price :: Production : Consumption  
Therefore : Price per ton =

Cost per ton X  $\frac{\text{Cost value of Total Consumption}}{\text{Money value of Total Production}}$

[Total National Consumption includes Capital depreciation and Exports. Total National Production includes Capital appreciation and Imports]

*(Credit Power and Democracy 151)*

The total money distributed represents total production. If prices are arranged as at present, so that this total will only buy a portion of the supply of ultimate products, then all intermediate products must be paid for in some other way. They are; they are paid for by internal and external (export) loan-credit.

*(The Control & Distribution of Production 72-73)*

## 95 Effects of Just Price on Foreign Trade

If, as is suggested in the ideas that I have put forward, a considerable proportion of the credits which are created in the country is applied to the reduction of prices, then it is quite obvious that a given unit of, let us say, English currency will buy more than it would before: the ratio unit purchasing power is raised.

### unit prices

Consequently a given unit of currency will find a purchaser in foreign currency at a higher price than it would before, assuming that the ordinary influences of the market were allowed free play. I do not think that if such a scheme were put into operation these influences would be allowed free play, and the first result would possibly be a wholly artificial depreciation of, say, the British unit of currency in the world exchange market – a matter which the exchange brokers could quite easily arrange. But the result of this would be that the British unit of currency, bought at less than its true exchange value in some foreign currency, would, in terms of that foreign currency, buy still more goods than even it ought to under the proposed change. The result of this is easy to foresee. In the first place, it would result in an enormous yet temporary export trade, against which competitors would have no effective weapon other than to apply the same modifications to their financial system. Secondly, in the language of the stock market, the money ‘bears’ would be caught short of British currency, and caught short without the least possible chance of ever buying to cover, except at a ruinous loss. I am inclined to grant them sufficient intelligence to enable them to see this very quickly, and I have no doubt at all that the almost immediate result of the application of credits to the reduction of prices in, for instance, Great Britain, would be to send British exchange above par.

(*Warning Democracy* 47-49)

### The Just Price a Ratio, not an Absolute Measure

It will, of course, be understood that no *absolute* unit of measure of value is either possible or needful; it is, however, the popular delusion that a gold or other standard is an absolute measure of value which has obscured the economic 96 problem for so long. The only possible standard which can be applied with accuracy to the measurement of economic value is that of ratio, a standard which does not require that we postulate anything at all about the unit used to establish the ration, except that it is the same unit. To readers who are familiar with the mathematical hypothesis known as the theory of relativity, the basis of which may be quite simply expressed in the statement that it is impossible by means of physical measurements to determine the absolute velocity of a body through space, certain analogies will no doubt present themselves. For the average person, not particularly interested in such matters, no difficulty arises in grasping what is meant by ‘ten miles per hour’, even though he cannot conceive of a ‘mile’ as distinct from ‘a mile long’.

When, therefore, we say that:

$$\begin{aligned} \text{True price (in £) =} & \\ & \text{Cost of ultimate products consumed} \\ \text{Cost (in £) X } & \frac{(\text{£}) + \text{depreciation of real capital in £}}{\text{Credit created (in £) + cost of total}} \\ & \text{Production (3)} \end{aligned}$$

we do not require to know anything about the properties of the pound sterling; we do not, for instance, require to know what is the absolute quantity of labour for which it is a ‘just’ remuneration, and still less is it a matter of the slightest interest how much gold it represents.

We are simply saying in effect: ‘Credit, convertible into money, is a correct estimate of the capacity of society with its plant, culture, organization, and moral, to deliver goods and services desired by individuals. Whatever unit we adopt for it, the number of these units held by the individuals who collectively compose society must be such that by surrendering these units they will receive in exchange all the goods and services which society can possibly deliver. As society’s *capacity* to deliver goods and services is increased by the use of plant and still more by scientific progress, and decreased by the production, maintenance or depreciation of it, we can issue credit, in *costs*, at a greater rate than the rate at which we take it back through *prices* of ultimate products, if *capacity* to supply individuals exceeds desire. This it can always be 97 made to do, by ensuring that the production of capital goods is secondary to a sufficient production of ultimate products, and their delivery to individuals.

(*Credit Power and Democracy* 131-3)

### Conditions necessary to Price-compensation

We have every type of information required to fix the ratio we require at our disposal at any moment. The loan credit accounts of the banks, plus the ways and means and note and bond issues of the Treasury, plus the increase in capitalization of productive organizations, roughly represent credit creation; cost of production is obtainable from the ‘factory’ cost accounts, including now agricultural production accounts; the quantity and consequently the collective cost of articles bought by (i.e. delivered to) the public is available through such departments as the Ministry of Food, the Board of Inland Revenue, the Board of Trade, etc. In order to transform the measure of financial credit which these figures would give us into a measure of real credit, only two things are required: first, that control of credit-issue shall be in the hands of the consumer, so that production is moulded to his needs; and secondly, that the number of credit units in the hands of the public shall be that necessary at any moment to buy the whole possible output of society, both of which premises are

eventually met by the arrangements previously described. That they are not met by the existing economic system is self-evident on a consideration of, say, the relative amount of expenditure during the last ten years on factories, as compared with that on houses; and on the other hand, the utter insolvency of the British banking system during the few days immediately subsequent to the outbreak of war with Germany. (*Credit Power and Democracy* 133-4)

Price Compensation presents no Practical Difficulty

It should be emphasized that the practical operation of a price factor of this character involves no difficulty and is, in fact, in various forms a commonplace of business operations at the present time. As compared with the complex system of discounts which are a feature of every business, and vary not merely from business to business, but 98 from one department of the same business to another, the application of a uniform price factor for the purpose of reducing the general price level is a matter of elementary simplicity. (*Social Credit* 193)

Suppose that the large departmental stores, such as Messrs. Harrods, Messrs. Barker's etc., were to agree, as they probably would to restrict their net profit on turnover (not be it noted, on capital) to 10 per cent. Imagine them to issue with each sale to an individual consumer, an ordinary statement of sale, commonly called a bill, and imagine arrangements to be made with the banks that these bills, when turned over by the individual consumer to the bank, should be credited at 25 per cent of the face value to the individual consumer's account to which they refer. Such an arrangement would amount in effect to a reduction of price to the consumer of 25 per cent, without any reduction in profit to either the producer or the retailer, and as the result of such an arrangement would be to increase effective demand, the turnover of both the retailer and the manufacturer would increase accordingly, and consequently their profit would increase. So that you will see that neither the retailer, the manufacturer, nor the consumer would, under such an arrangement, have any complaint to make. You will, of course, inquire where the bank will receive the necessary funds with which to credit the individual consumer with 25 per cent of his purchases. The answer to this is, that at stated intervals, of say one or three months, the banks would present an account of such credits to the Treasury, which would in turn pay to the banks a Treasury Draft equalling the amount, so that the banks would then be covered in the transaction.

The justification for the issue of the Treasury Draft is found in the increased real credit of the community, which accrues from the increased trade which is assured by the lowering of prices. I have, of course, used the figure of 25 per cent for purposes of illustration.

(*Warning Democracy* 105-7)

## 99 THE NATIONAL DIVIDEND

Dividends and 'Doles'

Since the institution of a modified financial system of a suitable nature would rapidly increase the (what is called) material wealth of everyone without detracting from the wealth of anyone, it would be imagined that, when once agreement had been obtained as to the feasibility of such a readjustment opposition would cease. But this is far from being the case. The more important the individual with whom one is dealing in these matters, and the more able such a person may be to assist in the end desired, the more likely one is to find a very definite dissent, not as to the competency of the mechanism, but as to the desirability of the end. It is a curious feature of the average human being that he deems himself singular in the ability to make a right and proper use of wealth. 'It is a good and desirable thing for me to have ten thousand pounds a year. I am a sober and right-minded person. But it would be absolutely disastrous for my neighbour over the way to have a comfortable income. He would not know what to do with it, and it would only hasten his career of drunkenness and depravity.' (*Warning Democracy* 5-6)

I have heard innumerable cases of furious resentment against the grant of what is so improperly called 'the dole' (which is, of course, a form of contributory unemployment insurance, to which the workman himself contributes), and these denunciations, proceeding from normally kind-hearted persons of both sexes, are usually accompanied by remarks on the demoralizing effects of money received without working. If you enquire, as mildly as possible, of such people, if by chance they receive any dividends which enable them to exist without working, you will, of course, be very unpopular, and you will be told that that is different, and if you suggest that a generalization of the dividend system if it could be obtained (and it can) would be desirable, you will be called 'Socialistic', a Parliamentary epithet for dangerous. (*Warning Democracy* 7)

Fundamentally, when it ceases to be an insurance claim, 100 the dole is a small dividend on the National Income—a fore-runner of 'Dividends for All'—it is certainly the Cinderella of dividends, and is treated

accordingly. Collectively, it is put in the foreground as being one of the chief sources of expense contributing to the burden of taxation under which the rest of the community is struggling, and thus has the effect of creating a feeling of hostility against its unfortunate recipients, which may be compared with the orthodox socialist outcry against other and more familiar forms of dividend. The enforced leisure enjoyed by those who participate in it, is rendered practically valueless by the regulations which surround it. (*Social Credit* 111)

### Work as a moral imperative

It used to be a very common argument that the spur of economic necessity was ennobling to the character... The struggle to overcome difficulties is most unquestionably ennobling, but we have, I think, reached a stage when our attention may with advantage be diverted from the somewhat sordid struggle for mere existence. (*The Control and Distribution of Production* 38-39)

The existing economic system, on the contrary, ably backed by the Marxian Socialist, takes as its motto that saying which I cannot help thinking proceeded rather from Saul of Tarsus than from the Apostle of Freedom—'If a man will not work, neither shall he eat'—defining work as something the price of which can be included in costs and recovered in price.

It completely denies all recognition to the social nature of the heritage of civilization, and by its refusal of purchasing power, except on terms, arrogates to a few persons selected by the system, and not by humanity, the right to disinherit the indubitable heirs, the individuals who compose society. (*The Control and Distribution of Production* 15-16)

When we leave the easy ground of generalities and come down to concrete detail, we find it overwhelmingly difficult to define useful work. Not only is it difficult, but it is in the highest degree mischievous. (*The Control and Distribution of Production* 10-11)

### 101 Real Demand should be made Effective Demand

Before an intelligent system of regional planning can be inaugurated with any hope of success, some agreement is necessary as to whether unemployment, in its alternative description of leisure, is a misfortune, or whether it is a release. If it is a release, then obviously it must not be accompanied by economic, or rather financial, penalization. If it is a misfortune, then clearly every effort should be directed to restraining the abilities of those engineers and organisers who are prepared to make not two, but two hundred blades of grass grow where one grew before. (*Monopoly of Credit* 78)

Now if there is any sanity left in the world at all, it should be obvious that the real demand is the proper objective of production, and that it must be met from the bottom upwards, that is to say, there must be first a production of necessaries sufficient to meet universal requirements; and, secondly, an economic system must be devised to ensure their practically automatic and universal distribution; this having been achieved it may be followed to whatever extent may prove desirable by the manufacture of articles having a more limited range of usefulness. All financial questions are quite beside the point; if finance cannot meet this simple proposition then finance fails, and will be replaced. It has been estimated that two hours per week of the time of every fit adult between the ages of fifteen and forty-five would provide for a uniformly high standard of physical welfare under existing conditions, and without endorsing the exact figures it is perfectly certain that distribution and not manufacture is the real economic problem and is at present quite intolerably unsatisfactory. (*Economic Democracy* 85-86)

### The Leisure State

If we assume that the constant efforts to reduce the amount of labour per unit of production are justified, and we recognize the unquestionable fact that the genuine consumptive capacity of the individual is limited, we must recognize that the world, whether consciously or not, is working towards the Leisure State. The production system under this conception would be required 102 to produce those goods and services which the consumer desires of it with a minimum and probably decreasing amount of human labour. Production and still more the activities which are commonly referred to as 'business', would of necessity cease to be the major interest of life and would, as has happened to so many biological activities, be relegated to a position of minor importance. (*Monopoly of Credit* 78-79)

In a physical sense we should then be living in a world in which economic processes were carried out by two agencies, one as heretofore, the agency of individual effort, and from the economic point of view of decreasing

importance; and the other, the result of the plant, organization and knowledge which are the cumulative result of the effort not only of the present generation, but of the pioneers and inventors of the past. The second agency can, of course, be collectively described as real (as distinct from financial) capital. Now it is quite easy to make out a perfectly simple ethical justification for the proposition that the share of the product due to the individual under such a state of affairs would be (1) a small and decreasing share of the product due to his individual efforts, and (2) a large and increasing amount due to his rights as a shareholder or an inheritor, or if it may be preferred, a tenant for life of the communal capital. (*Monopoly of Credit* 79)

We want, therefore, to put more and finally all people in this position, not to remove from it those who are already there, always assuming that the alternative exists; and to do that we want so to organize the machinery of production that it serves the single end of forming the most perfect instrument possible with which to carry out the policy of the community; and so to empower the community that individuals will submit themselves voluntarily to the discipline of the productive process, because in the first place they know that it is operated for production and so gains their primary ends with a minimum of exertion, and in the second place because of the interest and satisfaction of co-operative, co-ordinated effort. (*The Control and Distribution of Production* 39-40)

### 103 Shareholders in the Community

Let us at this point for the sake of clarity identify the community with the nation and in doing so be careful not to confuse administration with ownership. It ought not to be difficult to see that a situation which may truly be described as revolutionary is disclosed. In place of the relation of the individual to the nation being that of a taxpayer it is easily seen to be that of a shareholder. Instead of paying for the doubtful privilege of being entitled to a particular brand of passport, its possession entitles him to draw a dividend, certain, and probably increasing, from the past and present efforts of the community of which he is a member. (*Monopoly of Credit* 80-81)

Under these conditions the community can be regarded as a single undertaking (decentralizes as to administration to any extent necessary) and every individual comprised within it is in the position of an equal Bondholder entitled to an equal share of product. The distribution of the product is simply a problem of the arbitrary adjustment of prices to fit the dimensions of a periodical order to pay, issued to each bondholder, and it will be found that such prices will normally be less than cost, as measured by existing methods. Let this annual order to pay be inalienable, but carrying the assumption that a definite percentage of the individual's stock of time-energy units is freely placed at the disposal of the community. (*Economic Democracy* 114-5)

### The Social Heritage

The National Debt, which he, (the citizen) did not create, becomes a national credit which is a reflection of the national capital which he did create. His budget is not required to balance because his wealth is always increasing. He does not require to fight for foreign markets since obtaining foreign markets merely means a longer working day. Having more leisure he is less likely to suffer from either individual or national nerve strain, and having more time to meet his neighbours can reasonably be expected to understand them more fully. Not being dependent on a wage or salary for subsistence, he is under no necessity to suppress his individuality, with a result that his 104 capacities are likely to take new forms of which we have so far little conception. (*Monopoly of Credit* 80-81)

The early Victorian political economists agreed in ascribing all 'values' to three essentials: land, labour and capital. But it is rapidly receiving recognition that, while there might be a rough truth in this argument during the centuries prior to the industrial revolution consequent on the inventive period following the Renaissance, and culminating in the steam engine, the spinning jenny, and so forth; there is now a fourth factor in wealth production, the multiplying power of which far exceeds that of the other three, and which may be expressed in the words of Mr. Thorstein Veblen as the 'progress of the industrial arts'. Quite clearly no one person can be said to have a monopoly share in this; it is a legacy of countless numbers of men and women, many of whose names are forgotten, and the majority of whom are dead. And since it is a cultural legacy, it seems difficult to deny that the general community, as a whole, and not by any qualification of land, labour, or capital, are the proper legatees. But if the ownership of wealth produced vests in the owners of the factors contributing to its production, and the owners of the legacy of the industrial arts are the general community, it seems equally difficult to deny that the chief owners, and rightful beneficiaries of the modern productive system, can be shown to be individuals composing the community, as such. (*Social Credit* 49-50)

### The Unearned Increment of Cooperation

*This unearned increment rests inalienably on a basis of Capital, not of Labour; and if Capital derives from, and should be vested in the community, as is broadly speaking, incontestable, then it is as members of the community, tout court, unconditionally, that individuals should benefit by this unearned increment. The dividend is the vehicle for the distribution of this unearned increment, and it is in the universalization of the dividend, and not in its abolition, that we shall obtain freedom. Only when this is realised will it be grasped that it is better for everyone concerned, and 105 especially for Labour, that the routine operators of the plant of civilization should be selected solely for efficiency, subject to the most drastic competition, and progressively displaced by machinery.*

Dividends on Capital, then, come from a true unearned increment, and the recipient of dividends is only the pioneer of the future Citizen. But a dividend, in the ordinary sense of the word, is a payment of 'money' of which, we have already seen, credit is the vital component, and although credit derives from the community, the organ of credit-issue, its mobilizer, is the bank. The most important and fundamental function of a bank should be to envisage the capacity of the community it serves, taken in conjunction with its plant and culture, to meet the demands made upon it; and, *under democratic control, to issue purchasing power, on behalf of the community (the true State) up to the limit of this capacity, so that as individuals the units composing the community can set in motion the machinery which will make such demands effective.* (*These Present Discontents and the Labour Party 13-14*)

Under such an arrangement, wages and salaries become what they are in fact at present— merely a credit grant against future production, and a measure of the *human* energy put into production. This credit grant would be cancelled by the writing down of the national assets to an extent represented by the sum of wages and salaries, the assumption being, of course, that the wages and salaries represent the consumption of goods over a given period which have to be debited against the production of the same period. The dividend which is declared over the equivalent period represents the division of the difference between actual consumption and actual production (both of actual products and production capacity) over the same period. (*Social Credit 186-7*)

This scheme has been fairly widely discussed, both here and in America, but there is one feature of it which will perhaps bear a little elaboration—the obvious traversing of all accepted Socialist policy in the provision not only for the continuance of dividends to present shareholders, but the 106 wide extension of those dividends to still more shareholders. (*The Control and Distribution of Production 30*)

Closely linked with the fulfilment of this requirement is the necessity for exalting the individual over the group. I mean by that, the exact opposite of what is commonly called Socialism. The direct road to the emancipation of the individual from the domination of the group, is, in my opinion, the substitution, to an increasing extent, of the dividend in place of the wage and salary. (*Warning Democracy 74*)

Public Control of Policy, not of Administration

We do not acquire, by these suggested methods, control by the public, as such, of the processes of production—the "how" it shall be done. That is not the business of the public, as such, but of experts. But by controlling *both* credit-issue and price-making the public acquires with all its attributes—the effective appointment and removal of personnel, amongst others. *The essential nature of a satisfactory modern cooperative State may be broadly expressed as consisting of a functionally aristocratic hierarchy of producers accredited by, and serving, a democracy of consumers.* The business of producers is to produce; to take orders, not to give them; and the business of the public, as consumers, is not only to give orders, but to see that they are obeyed as to results, and to remove unsuitable or wilfully recalcitrant persons from the aristocracy of production to the democracy of consumption. . (*Credit Power and Democracy 94-95*)

But, and it is vital to the whole argument, improved process must be made the servant of this objective, that is to say a process which is improved must, by the operation of a suitable economic system, decrease the time-energy units demanded from the community or, to put the matter another way, all improvements in process should be made to pay a dividend to the community. (*Economic Democracy 101*)

You will understand that the physical facts of production are such that, operated in this way, only a small proportion of the world's population, working short hours, could find 107 employment *directly* in the industrial process—a condition of affairs which is cumulative and reduces to an anachronism the complaint of the early Victorian Socialist against the idle rich, and to an absurdity the super-Industrialist cry for greater production at a cost of harder work. To anyone to whom this aspect of the case is unfamiliar, I would commend the works of Mr. Thorstein Veblen on Capitalist Sabotage, or the more specialized conclusions of the late H.M. Gantt and his partner, Mr. Walter Polakov. The present preoccupation of the financial system is to hide the enormous

capacity for output which modern methods have placed at our disposal; and it is fairly successful in its efforts so far. (*The Control and Distribution of Production* 40)

In passing, it may be observed that Labour has never been in danger from the Idle Rich—it is the hardworking rich who are the chief champions of the *status quo*. (*Credit Power and Democracy* 13)

### Freer Distribution the Condition of Improved Production

The more the maintenance of life can be shifted from the backs of men on to the backs of machines, the more important it is to find a creative outlet for the human energy released, and the more certain it is that a considerable portion of this energy will, without compulsion, be devoted to the improvement of the industrial machine. That is to say, if a practical policy based on these considerations be pursued there will be a fall in the man-hours required for routine or operating work, and a consequent rise in the man-hours available for design and research work. The industrial machine is a lever, continuously being lengthened by progress, which enables the burden of Atlas to be lifted with ever-increasing ease. As the number of men required to work the lever decreases, so the number set free to lengthen it increases. It is true that, owing to the defective working of an outworn financial system, the lengthening of the lever has been offset by obstacles to its beneficent employment, but these very obstacles, by raising up a world-wide unrest, will secure a rectification of the means of distribution, which is the first step to a better state of things. (*Credit Power and Democracy* 20-21)

### 108 Common Objections to Social Credit

The most grotesque objections have been raised to issues of credit in the manner I have just outlined; in fact, it is a remarkable thing that large numbers of persons, who cannot honestly be suspected of direct connection with the banking system, seem feverishly anxious to ridicule it. The first objection raised is that it would raise prices, a really remarkable statement in view of the fact that the suggested use of credit is absolutely contingent on a fall of prices. If cornered in regard to this objection, these persons say that it would result in a queue of the type familiar during the latter years of the first world war. The answer to this is, of course, that again the suggested credit issue is contingent on the ascertained fact that potential production is always in excess of consumption. It will usually be found that when the quasi-practical objections have thus been disposed of, the objector discloses his real position, which is what he calls a moral objection, that he hates the very idea that anyone should be comfortable in this world without being made very uncomfortable in the process. Some years ago I had the experience of discussing these proposals with Mr and Mrs Sidney Webb, and after disposing, one after the other, of the objections raised to the feasibility of the scheme, I was met with an objection with which, I confess, I found myself wholly unable to deal, and I recognize that objection in the Labour Party Report on the Douglas proposals. The words in which it was made to me are worth putting on record. They were: 'I don't care whether the scheme is sound or not; I don't like its object.' That is a clear-cut issue; it is an issue which goes right down to the bedrock of human philosophy. It claims that human nature is essentially vile, and can only be kept within bounds by being kept so busy that it has no time to get into mischief. (*The Breakdown of the Employment System* 11-12)

### Leisure and Progress

It is more generally suggested that leisure, meaning by that freedom from employment, forced by economic necessity, is in itself detrimental; a statement which is flagrantly contradicted by all the evidence available on the subject. It is hardly an exaggeration to say that 75 per cent of the ideas and inventions, to which mankind **109** is indebted for such progress as has been so far achieved, can be directly or indirectly traced to persons who by some means were freed from the *necessity* of regular, and in the ordinary sense, economic employment, in spite of the fact that such persons have never been more than a small minority of the general population. Even where transcendent genius has been able to overcome the limitations of financial stringency, it is highly probable that the results achieved have been nothing like those which would have enriched the world had those barriers been non-existent....It is probably true enough that there is an appreciable percentage of the population in respect of which any sudden access of material prosperity would be attended with considerable risk, and for that reason the transition from a state of artificial scarcity such as exists at the present time, to a state of prosperity, is most desirably accomplished by methods which do not too suddenly invest such persons with powers which they have not learnt to use. But to suggest that an obsolete and outgrown system of organization must be retained because of this risk, is to refuse to develop the railway, because of its detrimental effect upon the stage coach. (*Social Credit* 115-7)

At this point we begin to touch the conflict between a classic morality and a modern scientific effort. Oblivious to the fact that practically all advance in the world's history can be traced to a condition of leisure, however that leisure was obtained, we find a large number of people prepared to argue that the object of modern scientific

progress is to increase employment, and that only the 'employed', in the economic sense, have a right to exist. (*Warning Democracy* 83)

## Present Position and Strategy of Financial Reform

I do not myself believe that we can take to ourselves credit...even as a generation, for being the first discoverers of the true cause of the trouble, although I think probably we have added something to the stock of knowledge of it. I believe it has been discovered several times before, notably about a hundred years ago, and in every case general 110 knowledge of it has been suppressed, and the troubles caused by it have been used as an argument for some form of centralization of power, of which the latest form comes under the name of 'Rationalization'.

In my opinion there is no fundamental difference between 'Rationalization' as sponsored by Lord Melchett and Sir Herbert Samuel, and 'Nationalization' as sponsored by the Socialist Party, and I believe that the propaganda in regard to them comes from the same source. They are both of them policies for reducing the individual to an impotent unit in an overwhelmingly powerful mechanism. (*Warning Democracy* 146)

I should not be honest if I gave it as my opinion that such a radical reform as we desire is at all likely to take place so long as the credit and banking system remains under the control of the individuals who are now in possession of it...

The first point to realize clearly in assessing the practical situation is that the problems connected with the financial system do not arise out of the difficulties of financiers. There is only one uniformly prosperous business in the world today, and that is 'banking' with its twin sister 'insurance'. You cannot realize too clearly that the financier's only anxiety is that the existing state of affairs should be permanent, and he is in a position to see that what are called 'political appointments' are made with this objective in view, and I believe this to be just as true of the Labour party as it is of the Conservative Party, and rather more true of the Liberal Party than either. (*Warning Democracy* 147)

Since, however, most men are complex characters, it is probably true that an effective appeal can be made to a very large majority if the appeal is made in the right way. It is my considered opinion that the right way with most people is to discountenance severely any discussion of the general advisability of such matters as we have been considering, and as far as possible, to put the appeal in the form: 'Suppose that you yourself were offered certain conditions, such as we suggest, under which to carry on your business or your own personal economic life, would you accept them?' (*Social Credit* 202)

111 It has to be remembered that, unlike the movements commonly called socialistic, which on the whole have been class movements, this steady growth of public opinion as to the vital part played by the financial system in the efforts of mankind is not confined to any one class. It is common ground with the industrialist, the farmer, the landowner, and even the stockbroker: the interest in it is growing daily. I believe most fervently that we are at the very threshold of an awakening which may well alter the history of civilization. (*Warning Democracy* 139-40)

In conclusion, however, I should like to emphasize one very important aspect of the whole problem. The desired solution has no basis in sentimentality or abstract Pacifism. To be successful, it has to be a solution which can fight. As I have just said, and as must be only too obvious, modern scientific civilization is irresistible in war. I believe it is possible to provide a financial system which will so abolish the artificial differences of interest between individuals, that any community, nation, or continent which will successfully put these principles into operation will either compel imitation from the rest of the world, or will reduce any attack upon its principles to the relative position of a mob of bushmen armed with bows and arrows who might be so rash as to attack a modern army equipped with all the terrible weapons of modern warfare.

In the meantime, a few concrete hints may be useful...Never subscribe to a new issue of shares or Government stock. Buy your shares or stock in the open market, and do not buy new issues. Fight every demand for taxes. Don't imagine it is your duty to pay taxes. You have to, but that is quite a different matter. Take a leaf out of the French taxpayers' book. (*Warning Democracy* 75-76)

Unselfish aspirations, good intentions, beautiful phrases—none of these by themselves will affect the issue by so much as one hair's breadth. If the public of this or any other country is really desirous of once and for ever freeing itself from the power of the economic machine, and using the immense heritage which science and industry have placed at its 112 disposal, it has to throw up and place in positions of executive authority men who are technicians in so broad a sense that they understand that the very essence of perfect technology is to devise mechanism to meet the requirements, the policy of those who appointed them. (*Credit Power and Democracy* 85-86)