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## FOR POLITICAL AND ECONOMIC REALISM

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### The Dilemma of Politics (III)

by BRYAN W. MONAHAN

*With time and the improvement of the productive processes, the dilemma described in this paper, which appeared fifteen years ago in the Australian Social Creditor, has greatly increased.*

#### THE REDIRECTION OF EFFORT.

We are now in a position to see in what way economics circumscribes politics. Chester Bowles, head of the U.S.A. Office of Price Administration, has stated that after the war it will be necessary to find customers for 69 per cent. more goods and services than were sold prior to the war and has given the estimate that if there is produced only as much in 1946 as was produced in 1940, nineteen-and-a-half million workers would be unemployed.‡ This latter figure, it should be noted, is greater than the number at present employed in war plants. This clearly constitutes a problem with which we were not unfamiliar before the war, but which, on account of technological advances accelerated still further by the war (Chester Bowles) has become still more urgent.

Harry Hopkins, amongst many others, has stated the political solution to the economic problem as follows: "After the war, if we are to provide jobs for the millions now in the Services and in the munition factories, we shall require export markets on a greater scale than ever before."

In considering this solution, it must be borne in mind firstly that the U.S.A. is, physically, virtually self-sufficient in raw material; that part of the raw materials imported merely form the basis for manufactured exports; and that, given the supply of raw materials, American industry can, and prefers to manufacture all products. Since the total imports are a very small fraction of total production, and therefore unnecessary but desirable imports—e.g., Scotch whisky—are still less, we can balance these against certain export products such as oil, helium, etc., which are in constant world demand, and consider surplus exports as a solution of the economic problem; for it is this surplus that Mr. Hopkins has in mind.

The question now arises, what follows from this export policy? The exports presumably must be balanced in some way. On the facts already examined, goods cannot be imported in exchange. The next possibility is a return of money. Now, by hypothesis, *this money can only be spent on American production*: but in no fundamental sense can it be maintained that *it is necessary to import money to buy home production*. That is a completely senseless transaction.

But closely allied to this notion is the argument that it is only possible to produce certain articles cheaply enough to be sold if their production is expanded to such a point

that overhead costs are reduced to a reasonable proportion of the cost of each unit—the theory of mass-production. This means that part of the cost is met by money imported from outside the producing area. In considering this argument, it is very necessary to remember that when the argument is put forward in respect of the U.S.A., *it is money and not goods*, which is to be imported in exchange for exports, and *this money can still be spent only on American goods*. In these circumstances, the effect of the transaction is that the American people produce the whole of the goods, but get delivery of only a proportion of them. Thus although the price of the unit article is less, there is a real loss in that a proportion of the total production is exported without any real equivalent being obtained for it. In real terms, one and a tenth automobiles, e.g., have to be built in order to obtain delivery of one.

This theory of the cheapness of mass produced articles is extended, or completed, by the idea that it is better for some countries to concentrate on certain types of production, while others should concentrate on others; and that the benefits of mass production follow from the exchange between the two. This is obviously correct. But in point of fact, it does not apply to the U.S.A. Let the critic specify just what goods, particularly manufactured goods, the U.S.A. will in fact import, ceasing its own manufacture of them, in exchange for the value of exports Mr. Hopkins has in mind. But further: the policy is export to *give employment*; cheapness of mass-production must mean, ultimately, less labour per unit production; so that successful trade on a reciprocal basis would mean, in the last resort, more unemployment.

It is true, of course, that the "balance of payment" is supposed to be made in gold. But in point of fact, the basic physical situation is not affected. It is still the case that the goods to be bought with the imported gold, or with any form of money based on gold (gold standard or gold exchange standard) are home produced goods; they are available as physical entities irrespective of the source of the money to pay their purchase-price.

But gold itself has ceased to be freely available as any form of currency. This is because the rate of production of new gold is much less than the rate of expansion of industrial output. This situation has led to the Bretton Woods monetary proposals, the effect of which is to authorise an international currency instrument having the same free exchangeability of

(continued on page 4).

‡ *The Saturday Evening Post*, Oct. 14, 1944.

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### Then

"In 1840 ten out of eleven persons were completely illiterate, and the situation improved only very slowly until the end of the nineteenth-century, when compulsory education began to take effect."

—Sir Ivor Jennings: *"Party Politics. 1: Appeal to the People."* 1960.

### Now

"The illiterate elector takes his ideas from direct personal contact only. The semi-literate elector may add to them ideas derived from semi-literate papers, magazines and books. We who are fully literate . . ." —(*Ibid*)

"About a quarter of children aged 15, were failures as effective readers, he said, quoting figures from *Standards of Reading, 1949-56*, which classified 25 per cent. of children of that age as backward, semi-illiterate or illiterate."

—*The Times*, November 24, 1960, reporting an address by Mr. I. J. Pitman, M.P.

### Then and Now

"Political theories enunciated in books are no doubt of practical importance, but few practical politicians have much direct knowledge of them, and any indirect knowledge that they may possess lies confused in a mass of experience of all kinds."

—Sir Ivor Jennings: *loc. cit.*

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### Concerning a Canard

The Editor,

*The Social Crediter.*

Sir,

Our opponents well understand the wider applications of Thomas Gresham's so-called 'law' that "Bad money drives out good," and if "that amorphous body," the Social Credit "Movement" (*vide C.H.D., T.S.C., 1938*) could throw up enough bogus Secretariats, the particular Secretariat founded with full intention by Douglas might become difficult to identify.

I am not alone in recognising the nature of the assistance which a whispering campaign, quietly conducted and couched in terms too vague for direct contradiction but reflecting adversely on the Secretariat, lends to the effective use of the subversive technique suggested above.

As Prime Minister Sir Henry Campbell-Bannerman once told a deputation, such things are best done 'quietly.' Thus, not from aggrieved persons themselves but on their behalf, I hear from this country, from Canada and from the Antipodes reports of allegation that the services of 'gifted people' are not wanted by the journal you so ably edit, and that the Secretariat has passed sentence of "ex-communication" upon them.

I think something might be done to check the further currency of this canard. There is, of course, a wide variety of 'gifts', some serviceable to the advance of Social Credit ideas and some not. However that may be, as successively Deputy Chairman, Chairman after November 8, 1939, and Advisory Chairman for a shorter period of the Social Credit Secretariat, I may claim a fair knowledge of what happens and has happened in it.

In the light of this knowledge, which I agree, is not widely shared, I have made a list of five individuals who *might* be aggrieved or who are deemed to be aggrieved by others themselves ignorant of the facts in each case. It is not impossible to avoid embarrassment to individuals, which would result from identifying them by name. What it is desirable to establish is a truth, not a pillory. The illusion which invests discussion of the doctrine of individual freedom concerns not the fact of its possibility but the terms upon which that possibility is realised. No one, not even the hangman can prevent anyone from pursuing any policy he likes. What we are concerned to inhibit is the false representation that a man is pursuing one policy (Douglas's) when, in fact, he is pursuing another (his own). However that may be, here is the prepared list:—

(1) Announced dissent from the statement of constitution of the Secretariat within a few weeks of its first publication (which was on Douglas's instruction) and thereafter offered no assistance to the Secretariat in any form, indeed quite the reverse, and was told (by Douglas) to "go away and play in the next field for a time." May I remark that, since then, in a letter to a correspondent of some standing, Douglas said the Statement, as published, had been "painstakingly drafted and was the only basis for co-operation *with him*."? Application to the Secretariat was advised, but not effected. It is to be inferred that co-operation (which is a policy) was not what the correspondent desired. In both cases neither Douglas nor the Secretariat was the "ex-communicator," if indeed there was any "ex-communication" at all.

(2) Was invited to become Deputy Chairman after Douglas's death. Accepted, subject to conditions contrary to the letter and the spirit of the Constitution. Negotiations were broken off, but resumed later, when an additional condition was advanced, namely postponement until an unspecified date when private, professional security might be less endangered by acceptance. (Cp. C.H.D. "Tell us what to do, and we will do *anything else*.")

(3) Invited to become Deputy Chairman of the Secretariat. Advanced the objection of long and frequent absences abroad.

(4) Invited to become Deputy Chairman of the Secretariat. Accepted on condition that acceptance would not entail extra work or calls on typist's time. (If this seems incredible, it is nevertheless true).

In each of the above cases, 1-4, there is a common factor not indicated by the bare facts as presented, and in the fifth case which comes to my mind, this factor is prominently to the fore, other circumstances being altogether different. In a short letter designed to meet an enemy on a narrow front, it would be folly to attempt to define the nature of this common factor. On one occasion (an address at the Cora Hotel, London), Douglas said confidently. "We have glimpsed . . . ." I am afraid we haven't, although doubtless *he* had. Until we "catch up" with him, all our efforts to solve the problem confronting Social Credit as (a) a valid idea awaiting realisation in society and (b) a strategical problem awaiting solution *by us* are, in my opinion, doomed to utter frustration. "But the end is not yet."

Concerning the matter of the publication of articles by contributors, articles not offered to us cannot be refused. Specific articles may have been rejected, and it is true that errors of quotation from Douglas, and other errors, subversive innuendoes, passages endeavouring to insinuate arguments explicitly rejected by Douglas have been removed from articles actually published, in most cases without objection by the writer. *The Social Crediter* is a journal of policy, not of opinion.

Yours sincerely,

TUDOR JONES.

## The Mediaeval Order

The essence of Mediaevalism (often, it may be noted, referred to as the Mediaeval Order) was the existence of the Church as a sanction, as an organisation for making effective certain checks and balances upon the use of physical force to carry an order from its utterance to its execution. The Church claimed to be, and was to quite a considerable extent, a living body of Superior Law, not different in intention but far higher in conception, to the Constitution of the United States. And it is important to notice that the breakdown of nineteenth century English prosperity can be seen in retrospect to be contemporaneous with the decadence in social prestige of the village parson.

—C. H. Douglas in *Under Which King?*

## A Political Monopoly

The following letter to the Editor was published in *The Mercury*, Hobart, November 30, 1960:

Sir,

In your editorial, "Side Door Socialism," it was stated that "the Liberal Party has been moving steadily towards the Left," and the question was asked, "how soon the Liberal Party will find itself committed deeply to Socialist doctrine?" I think a discussion of these statements would be very helpful.

The ever-increasing ramifications of the Welfare State only become necessary where people are robbed of the means of looking after their own welfare. When the Liberal Party refused to put "shillings back into the pound" it committed itself to a fraudulent currency which robbed everyone of his savings. People without reserves are not able to help themselves or anyone else.

Private individuals, schools, universities, municipal and State governments all become mendicants depending on hand-outs of the all-powerful central government. As the nation becomes mightier the individual becomes more helpless and is quite unable to build any reserves for himself or family. With the increasing centralisation of governments the destruction of independent units becomes automatic, and it doesn't make much difference whether a political party calls itself Liberal, Labour or Communist; the official policy is monopoly, and monopoly under any name is death to independent growth. What people have not realised is that a political monopoly placed in power by the counting of noses is probably more dangerous, because more difficult to fight, than a straight-out dictatorship.

In Australia there is little difference between the leaders of the Liberal and Labour parties. We are practically run as in Russia, by a one-party government. At election times we are given the privilege of choosing democratically whether we shall "be boiled in oil or hanged by the neck." Neither Liberal nor Labour, when in power, alters the work of the previous administration about which it complained so bitterly.

It has been apparent for a long time that the members of the Liberal Party have no say in the government of this country; and it is doubtful if the leaders of the party know what is in the Budget until the last moment. The government is in the hands of the Canberra bureaucracy which is immune to criticism.

I am satisfied that the bureaucracy knew that when it lifted the tariff restrictions there would be a flood of goods into this country, and overseas funds would be depleted. Now, because the funds are depleted, the bureaucracy has supplied the necessary crisis to insist on the action it has long demanded—increased taxation and increased controls. The whip has been cracked, and all the yes-men in the Liberal Party have to scamper into line. Don't say you have not been warned.

Fern Tree.

—Jas. Guthrie.

## The Importance of the Upper House

*The Sydney Morning Herald*, December 21, 1960, published the following letter to the Editor:

Sir,—I should be surprised indeed to learn that the "Liberal" supporters have not made repeated attempts in the past to implement A. T. Ockerby's proposal ("S.M.H." Letters, December 16) to control the executive of the Liberal Party.

The Liberal Party is an institution, as is every other party; as such it will mould, for good or ill, the men suitable to its needs.

To those interested in limiting the power of the Government of the day, the need to retain the services of the New South Wales Legislative Council would appear to be of primary importance. Your editorial "The Upper House 'In Chancery'" (December 16) is to be recommended for its lucidity, and if the issue is brought to a referendum it will need to be faced realistically and in the light of long-term policy.

The persistent attempts by the Labour Government to abolish the Upper House are moves to vest absolute political control in the Lower House, i.e., in the Government of the day—a political party.

History shows clearly that the concentration of power in a single-Chamber Government is fraught with dangers and abuses. In the words of Lord Acton, "absolute power corrupts absolutely." The Legislative Council is a curb and restraint upon the less mature Legislative Assembly. It is an obstacle to the abuses of "absolute power," and until some better method of limiting and controlling the power of the "Government" is designed, the Legislative Council should be preserved.

Perhaps the supporters of the Liberal Party could not do better, at this late hour, than conduct a campaign educating the rest of the community on the issues involved and the need of not only retaining but also strengthening the powers of the Legislative Council.

—J. Stirling.

Caringbah.

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## THE DILEMMA OF POLITICS

(continued from page 1).

gold, but related to the total quantity of gold only by arbitrary ratio. However, this type of money still does not affect the physical facts of American economy as already described. Home-produced goods can be bought just as well with home-produced money.

The next possibility to consider is exports on credit—i.e. the so-called export of capital. There are several variants of this process, but their analysis is unnecessary to the present argument. The only aspect relevant here is the "balance of payment." What happens in these circumstances is that goods

are exported, in return for a promise to pay at some future date. But this merely puts the problem into the future, for repayment then can only be, as before, by goods, which are unwanted, or by money, which is unnecessary. Even the payment of interest, again as goods or as money, is inadmissible. If, however, it was decided that goods would be accepted in, say twenty years time, and if no deterioration of resources or industrial capacity had intervened in the U.S.A., the original problem would be immensely aggravated, unless the Americans were prepared to live on imports with a corresponding reduction of their own effort. But that solution is already available.

It is sometimes said—and this bears closely on the idea of limitation of political autonomy—that the poor of the world—the poverty stricken of China and India, for example—must have their standard of living raised. This is a crucial point. It may be true and desirable; but such a consideration is exactly the opposite of the original hypothesis—that the U.S.A. must find export markets for her own sake. The export of large quantities of materials to backward countries is a physical loss. If it is done as a gift, it is a permanent loss; if it is done as a loan, then it is a loss for the present generation, but an indirect gift to a subsequent generation, which will receive the repayment. But if this is the case, it should be represented as such, and not as being an immediate benefit to the present generation.

The final possibility of payment is by means of territorial or political concessions. That is to say, the U.S.A. might "buy" an area of China or India, paying in dollars which would be spent on American production. But such a purchase, since the U.S.A. is already virtually self-sufficing, could only have a political significance. The same result can be achieved by an outright political concession embodied in an agreement or treaty. Now neither of these procedures has any primary relation to the original problem, and both are, in fact, a form of aggression. If aggression is the policy, again it should be represented as such, and not as a problem of finding employment.

It is convenient at this point to refer to public works as a mechanism of economic adjustment, since these are put forward on a par with exports as a method of providing employment. In fact, of course, they are just such an equivalent, except that they may yield ultimate benefits (though they thereby ultimately aggravate the problem). As with the mass-production of certain goods such as motor-cars, where, as we saw, the population builds more cars than are delivered to it, and gets nothing real in exchange, so with public works, a proportion of energy (both human and solar) is diverted to projects which yield no immediate return, and which therefore do not affect the immediate situation. Public works, desirable in themselves though they may be, are a present loss, and should be recognised as such. But where they are represented as an immediate benefit, they are subject to the same type of analysis as are exports. And to the extent that they ultimately place more solar energy at the disposal of man—as with hydro-electric schemes, etc.—they ultimately aggravate the problem with which they are intended to deal—and not only aggravate, but accelerate it.

(To be continued)