

Who Was C.H. Douglas?

By Professor Geoffrey Dobbs

The late Clifford Hugh Douglas, M.I.Mech.E., M.I.E.E., consulting engineer, economist, author, and founder of the Social Credit Movement, was born in 1879 and died in 1952. Among other posts which he held in his earlier years were those of engineer with the Canadian General Electric company, Peterborough, Canada; Assistant Engineer, Lachine Rapids Hydraulic Construction, Deputy Chief Electrical Engineer, Buenos Aires and Pacific Railway; Chief Engineer and Manager in India British Westinghouse Company; Assistant Superintendent, Royal Aircraft Factory Farnborough (England). During the First World War he was a Major in the Royal Flying Corps and later in the R.A.F. (Reserve).

After retiring from his engineering career, he and his wife ran a small yacht-building yard on Southampton Water for several years. The combination of beauty with functional efficiency in a successfully designed racing yacht had a special appeal for him. When he lived in an old water mill in Hampshire he used the water wheel to turn a dynamo which lit and warmed the house as well as providing power for lathes and other tools. Later, when he moved to Scotland, many of his friends and followers remember helping to build his small hydro-electric power house, sited on the local burn which ran through his land. Since decentralisation of economic power was of the essence of his teaching, it should be put on record that he practised what he preached.

One of his most interesting jobs, just before the 1914 War, was that of conducting preliminary experimental work and preparing plans and specifications for the electrical work on the Post Office Tube in London, with later supervision of the installation of plant in what was to be one of the earliest examples of complete automation in the history of engineering. While there were no physical difficulties about the work, he used to get orders from time to time to slow it up and pay off the men. When the War came, however, he noticed that there was no longer any difficulty about getting money for anything the Government wanted.

It appears that he was sent to Farnborough in 1916 to sort out 'a certain amount of muddle' in the Aircraft Factory's accounts, so that he had to go very carefully into the costing. This he did by introducing what were then known as 'tabulating machines' - an approach which anticipated the much later use of computers, and which drew his attention to the much faster rate at which the factory was generating costs as compared with the rate at which it was distributing incomes in the form of wages and salaries. Could this be true of every factory or commercial business?

Douglas then collected information from over 100 large businesses in Great Britain, and found that in every case except in businesses heading for bankruptcy, the total costs (charged into products) always exceeded the sums paid out in wages, salaries and dividends. It followed that only a part of the final product could be distributed through the incomes disbursed by its production, and moreover, a diminishing part as industrial processes lengthened and became more complex and increased the ratio of overheads to current wages. Unless this defect in monetary book-keeping were corrected (which in his view was perfectly practicable) the distribution of the remainder must depend increasingly on work in progress on future products (whether wanted or not) financed by loan credit, export credits, sales below cost leading to

bankruptcies and centralisation of industrial power, or by consumer borrowing. The result must be predictably disastrous - in fact, the modern dilemma between mass-poverty through unemployment and growing inflation, debt and monopoly, with waste of human effort and the earth's resources to maintain 'full employment', requiring continuous economic 'growth' and economic warfare between nations leading towards military war.

This original engineer's approach, which regarded the monetary system much as Douglas, a former railway engineer, had regarded the ticket system, as a mere book-keeping convenience for the efficient distribution of the product, was completely alien and unacceptable to the economic theorists of the day. Only one Professor of Economics (Professor Irvine of Sydney) expressed agreement with it, and he resigned his post shortly afterwards. This general condemnation by the economists was, however, along two different and contradictory lines, viz.:

1. that the cost-income gap was an illusion due to Douglas's failure to realise that the costs all represented sums paid out at a previous date as wages, salaries, etc. ignoring the time factor which was the essence of his analysis; and,
2. that it was, on the contrary, a glimpse of the obvious, of no significance whatever, since this was the immutable way in which the monetary and economic system must work for the stimulation of new production and the maintenance of the level of employment - i.e. ignoring Douglas's radically different objective of production for the consumers' use and not for 'employment' or other monetary objectives.

When the Great Depression of the 1930's grimly confirmed Douglas's diagnosis and gave him a worldwide reputation and following, his critics explained that he had mistaken a temporary lapse for a permanent defect in the monetary system; but subsequent events have by now, so continuously fulfilled his predictions that this criticism is no longer credible. Despite rejection by the Economic Establishment of the day, Douglas was called upon to give evidence before the Canadian Banking Enquiry in 1923 and the Macmillan Committee in 1930, and undertook several World Tours in which he addressed many gatherings, especially in Canada, Australia and New Zealand, and also at the World Engineering Congress in Tokyo in 1929. In 1935 he gave an important address before the King of Norway and the British Minister at the Oslo Merchants' Club, and in the same year he was appointed Chief Reconstruction Adviser to the United Farmers' Government of the Province of Alberta, Canada, which later in the year elected the first Government to bear the title 'Social Credit'. The Canadian Federal Government, however, frustrated all attempts to implement Douglas's advice by disallowing the legislation, some of which was passed, and disallowed, twice; after which, although the Party remained in power for over 30 years, it progressively abandoned the principles on which it was first elected. It should be placed on historical record, as a precedent, that two 'provincial dividends' of little more than token value, were nevertheless paid at one period to the citizens of the Province, and that, while still acting under the advice of Douglas's representative, the province paid its way without further borrowing, and drastically reduced the Provincial debt.

This diversion of Douglas's ideas into the dead-end of Party politics has received far more publicity than the original and experimental approach to politics which is signposted in his later speeches and writings from 1934 onwards, notably in his five major speeches in England: *The Nature of Democracy*, *The Tragedy of Human Effort*, *The Approach to Reality*, *The Policy of a Philosophy*, and *Realistic Constitutionalism*. In 1934 a Social Credit Secretariat was formed under his Chairmanship, which started an Electoral Campaign involving the use of the vote for

purposes desired by the electors rather than by Parliament or the political Parties. This was followed by a highly successful Local Objectives Campaign along similar non-party lines, and a Lower Rates and Assessments Campaign which saved the British ratepayers many millions of pounds without loss of services by reducing loan charges. The Second World War put an end to these activities on an organised national scale, and dispersed them, with the Social Credit Movement, into a decentralised force, better adapted to the present crisis of World centralisation.

In the final phase of his life, roughly from 1939 to his death in 1952, Douglas consolidated his ideas in depth, contrasting very clearly the philosophy which underlies them with that which activates the Monopoly of Credit. Although the best known of them, which have already exercised considerable influence in the World, lie in the economic sphere: the concepts of real credit, the increment of association and the cultural inheritance, and the proposals of the National Dividend and the Just or Compensated Price - his political ideas, though as yet little known, are if anything of greater importance. They were always worked out with a characteristic practicality taking account of the feed-back from the course of events. No one else has thrown so much light on the true nature of democracy, as distinct from the numerical product of the ballot box; on the need for decentralised control of policy and hierarchical control of administration, on the freedom to choose one thing at a time, on the right to contract out, on the Voters' Policy and the Voters' Veto. In his last address given in London to the Constitutional Research Association in 1947, he put forward his last proposal for the rehabilitation of democracy: the Responsible Vote, in which the financial consequences of his open electoral choice would be, for a time, differentially paid for by the voter in proportion to his income, a literally revolutionary suggestion which demands an inversion of current ideas about anonymous, irresponsible numerical voting.

Hugh Gaitskell, a former Leader of the Labour Party, once sarcastically described Douglas as 'a religious rather than a scientific reformer'. Perhaps he was more right than he knew! It may be that Douglas's thinking on the subjects of philosophy, policy and religion and the special meaning he gave to those words will turn out to be his most valuable contribution to the restoring of the link between religious belief and the principles which govern society. In his view a 'philosophy', i.e. a conception of the universe always expresses itself as a 'policy' - a distinctive long-term course of action directed towards ends determined by that 'philosophy'. 'Religion' (from the Latin *religare*, to bind back) is not just a set of beliefs such as are expressed in the Christian creeds (which constitute a 'philosophy') but is precisely the 'binding back' of these ideas to the reality of our lives not only individually, but in the political and economic relationships of our society.

The policies of centralisation and monopoly now being proposed upon the world through the closely related agencies of Finance-Capitalism and Marxist Socialism derive from a 'philosophy' fundamentally different from and opposed to that of Trinitarian Christianity, which was however imperfectly expressed in our Constitution, our Common Law, and the progress towards personal freedom which had been made, especially, in Britain and the Commonwealth. At the time Douglas first put forward his ideas and proposals for carrying forward this traditional policy to its next stage, its Christian basis could be taken for granted as mere 'common sense'. Now that can no longer be taken for granted and it has become necessary consciously to distinguish the policies at work in our Society, and to relate them to the fundamental beliefs which gave rise to

them. In this sense, therefore, 'Social Credit' is the social policy of a Christian 'philosophy'; and before the end of his life, its founder made this explicit, rather than as in its beginnings, implicit.

Professor Dobbs and his wife Elizabeth were close associates of Douglas. All three of them were regular contributors to "*The Fig Tree*", a quarterly journal edited by C. H. Douglas.