

DICTATORSHIP

By TAXATION

By
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First Printing	1937
Second Printing	1938
Third Printing	1970
Fourth Printing	1978

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ISBN: 0-920392-00-8

Dictatorship by Taxation

By MAJOR C. H. DOUGLAS

*A speech delivered in the Ulster Hall, Belfast, on
Tuesday, November 24, 1936.*

I am speaking to you tonight on one of the mechanisms — an increasingly important mechanism — through the agency of which the members of the financial oligarchy under which we suffer impose their will upon us.

It is important to understand this mechanism, at any rate in its broader aspects, but I should like to impress upon you at the outset that even an exact and extensive understanding of it can be regarded as having any practical use only if it acts as an incentive to recruiting you for organised action. It is the *action* that counts. As someone said in regard to the international situation, "It is no use having the logic if you have not got the guns," and that is profoundly true in regard to the matter on which I am speaking to you tonight.

It is no use realising that taxation is legalised robbery, is unnecessary, wasteful, and tyrannical. If you stop at that, not only will you have to pay the taxes that you now have to pay, but, as Sir Josiah Stamp, one of the Directors of the Bank of England, suggested a short time ago, with that engaging candour which we are beginning to expect from the Bank of England, "While a few years ago no one would have believed it possible that a scale of taxation such as that at present existing could be imposed upon the British public without revolution, I have every hope that with skilful education and propaganda this scale can be very considerably raised."

THE OLD TITHE WAS NECESSARY

It is impossible to get a sound and clear understanding of taxation by any consideration of money figures or statistics, as at present compiled, since there

is no relation between facts and money. It is essential to begin by a consideration of real, i.e., physical, economics as distinct from money economics. For instance, the old and original tithe was a genuine and justifiable tax. It consisted of one-tenth of the agricultural production of the taxed land, and this agricultural production so collected was handed over to the Church for the physical maintenance of the clergy and their dependents, it being assumed that the clergy were too busy with other matters to raise their own crops. It may be recalled that the word "clergy" is derived from "clerk" and that it is to clerks that we owe (and pay) our taxes.

Now it is obvious that the physical meaning of this to those who paid the tithe was that they did a small amount of extra work or, alternatively, had a little less to eat themselves. There was nothing in such an arrangement which could, or did, result in a loss to the community on the one hand, or, on the other, make it impossible for the agriculturists to live.

But now consider the fact of a money tax upon agricultural land, which is the form the tithe has now taken. It is imposed quite irrespective of the value of anything which is produced upon the land, and its effect is simply that of an overhead charge upon anything which is produced. If a farmer owns the land he farms and has to pay tithe upon it, the tithe appears as a cost of production and increases the price that he must charge in order to live off his farm. If he cannot raise the price, which is generally the case, he makes a money loss, and ultimately ceases to farm, because he does not grow money, he grows produce, and money is demanded from him.

This is exactly what has happened in England, where three million acres of farming land has gone out of cultivation since the War. But the evil does not stop there. Since the farmer does not make a reasonable living, he does not keep his land in good order and he has no money to spend upon the products of other industries. It is beyond all question, and it is, of course, obviously common sense, that all taxation which does not go into the pockets of the poor lowers the standard of living, and the margin of security is lowered by any taxation which discourages enterprise.

There could be only one fundamental justification for taxation — that, with the whole of a community in maximum employment, not enough was

being produced to maintain the total population by reason of the excessive consumption of a small proportion of the population.

In fact, the whole theory of taxation as a justifiable expedient rests upon two propositions; first that the poor are poor because the rich are rich, and therefore that the poor would become richer by making the rich poorer; and secondly, that it is a justifiable procedure to have a system of accumulating riches, and to recognize that this system is legitimate, while at the same time confiscating an arbitrary portion of the accumulated riches. The latter proposition is very much the same thing as saying that the object of a game of cricket is to make runs, but if you make more than a small number they will be taken off you.

Please allow me to emphasize the point that I am in complete agreement with those who contend that some individuals are unduly rich, just as I am absolutely confident that taxation is not the remedy.

CONFUSION BETWEEN MONEY- AND REAL WEALTH

Now the first of these fallacies — that the poor are poor because the not-so-poor are not-so-poor, and that the poor are made richer by making the richer poorer, arises out of the confusion between money and real wealth. It is assumed, in the first place, that the equality between real wealth and money is absolute, and that, therefore, if an individual has a large amount of money in comparison with his neighbour the whole community will be raised in its standard of living if the richer man is taxed, even though the poor man does not get the money — which, in fact, he rarely does.

The absurdity of this argument, as apart from other aspects of it, is evident if it be applied, say, to the question of the ability of a proportion of the population to buy Rolls-Royce cars. If one imagines all the purchasers of Rolls-Royce cars to be taxed so that they no longer can buy Rolls-Royce cars, it does not, of course, mean that the poorer portion of the population buys Rolls-Royce cars; it merely means that Rolls-Royce cars are not produced. This would be a perfectly satisfactory state of affairs if the production system was lacking in some production which the freeing of men from making Rolls-Royce cars would enable them to produce.

We see exactly this state of affairs in wartime, when luxury production ceases, but in peacetime we know perfectly well that we have what is called an unemployment problem, that is to say, a surplus production problem, and that, under the existing financial system, the inability of anybody to buy Rolls-Royce cars would merely result in an increase of unemployment, and that the present financial system regards full employment as being the best method of keeping us in slavery to financiers.

All the preceding arguments lead up to, and are, in fact, dependent upon the proposition that the production of real wealth—that is to say, all the things which money can buy—is entirely separate from the production of the money with which to buy them, and that in taxing anyone but a banker we are merely increasing the value of the bankers' monopoly of money-making.

It is, fortunately, not nowadays necessary to develop this argument at any great length, since the facts are not in dispute in any responsible circles. The *Encyclopaedia Britannica* in its article on money, volume 15, states, "Banks lend by creating credit. They create the means of payment out of nothing"; or, as the Chairman of the Midland Bank puts it, "The amount of money in circulation varies only with the action of the banks."

Since our civilization is a money civilization, and none of us can carry on our daily pursuits without the possession of money, it is obvious, in the first place, that this situation places us ultimately at the disposal of the banks, and that increased taxation by lessening the amount of money at our disposal increased this hold that the banks have upon us.

The first point, therefore, on which to be clear, even without enquiring as to the destination of the money, is that the heavy taxation under which we suffer works directly to the advantage of financial houses which control the banking system. But if you will look at the back of your tax demands, you will find that the total amount received from income tax, sur-tax, and death duties, is approximately equal to the amount required to pay interest on the National Debt, and that other forms of taxation supply the money for social services, to the extent that it is supplied.

CREATORS OF NATIONAL DEBT

Now the National Debt in 1913 was 706,000,000 pounds and in 1935 was 7,945,000,000 pounds, or ten times as much, and it is steadily rising. Probably 80 percent of this debt was created by the process to which the *Encyclopaedia Britannica* refers, that is to say, by the banks creating money out of nothing and lending it to the country through the agency of War Bonds and other national securities. Or to put the matter another way, just as the banks create money out of nothing, so they bought the War Debt for nothing, and our income-tax, sur-tax, and death duties are what we pay them for having created and appropriated for their own use the National Debt.

It does not require much assistance to see that just so long as the population will stand it — and Sir Josiah Stamp assures us that, with care, the population will stand much more of it — we shall go on paying an increased amount of taxes, the major portion of which will go to increase the power of banking institutions and their grip upon the population.

If the stock and bonds which the banks, including the Bank of England, have appropriated in the last fifty years had been placed to the credit of the community, not only should we be free of taxation but we should be drawing a substantial dividend.

A common objection to this statement is that under these conditions banks would pay fantastic dividends, but this is a misconception. Banks do, in fact, pay high dividends upon a comparatively small capital, but the stupendous profits which are made by the manipulation of the money system on the general principles that I have just been indicating to you, do not go to anybody; they disappear by book-keeping processes, and by the formation of stupendous invisible reserves; and, since they increase the disparity between purchasing power and real wealth, they form a continuous deflation system.

For instance, if you see that the securities held by a bank amount to 100,000,000 pounds sterling, you might suppose that that was the market value of the securities. It is extremely probable, in the case of a British joint stock bank, that every 100,000,000 pounds of securities shown on the balance sheet represents at least 1,000,000,000 pounds of market prices in normal times, and by this process of writing down, which is much more complex than the simple instance just cited, it is possible to conceal profits of several hundred percent per

annum, and there is little doubt that it is done. The so-called stability of the British banking system is simply a measure of its grip on the national resources.

TAXATION A TYRANNICAL FRAUD

Stripped of its complications, the fact emerges that we live under a system not at all dissimilar to that of a commercial company with unlimited liability in which new debentures are constantly being issued and allotted free of charge to the financial system and its controllers, who take no risks and do no creative work. The general population is fundamentally in the position of wage-earners, and the taxation upon them goes to pay the interest on these mortgage debentures. The income-tax authorities are in the position of accountants, and debt collectors acting in the interest of the debenture holders.

We are, every one of us, in debt to these debenture holders, even though some of us may hold debentures, and the policy is to load us individually and collectively with debt so that we shall be the slaves of our creditors in perpetuity.

It is impossible to obtain money to pay off the debt, owing to the fact that our creditors are at the same time in sole control of the power of creating the money which is required to pay off the debt. Taxation is not primarily an economic device, it is a tyrannical device.

Once the meaning of this situation is grasped, it is not difficult to see the general principles by which not merely could taxation be eliminated, but in place of it every individual could be placed in a condition of economic freedom and security.

As I put the matter before the monetary commission in New Zealand, the essential power which the banks have acquired is the power of the monetization and demonetization of real wealth. That is to say, the power of creating acceptable and accepted orders or demands upon the producing system and of destroying them on recall; and the essence of their fraud upon civilization is not in the magnificent technique of the system which they employ, or even in the charges which they make for the use of this money which they create, even though these charges, i.e., their interest rates, may be considered in many cases exorbitant.

The essence of the fraud is the claim that the money that they create is their own money, and the fraud differs in no respect in quality but only in its far greater magnitude, from the fraud of counterfeiting. At the instigation of the banking system, barbarously severe penalties are imposed upon the counterfeiter of a ten-shilling note, but a peerage is conferred upon the counterfeiter by banking methods of sums running into hundreds of millions.

May I make this point clear beyond all doubt? It is the claim to the ownership of money which is the core of the matter. Any person or any organization who can create practically at will sums of money equivalent to the price values of all the goods produced by the community is the virtual owner of those goods, and, therefore, the claim of the banking system to the ownership of the money which it creates is a claim to the ownership of the country.

FUTILITY OF BANK NATIONALIZATION

If you are willing to admit that this ownership is justified there is nothing to be said; but if you are not — and I do not suppose in Northern Ireland (where there seems to remain a spark of that independent character which is apparently disappearing from England) that you are — do not be misled by any such phrase as "The nationalization of banking."

The State and the banking system are very nearly one and the same thing at the present time and are wholly one in policy. While the Bank of England is a private bank owned by international financiers, the Treasury plays straight into its hands, and the nationalization of, for instance, the Bank of England, would mean the transfer of the Treasury into the Bank of England rather than the transfer of the Bank of England into the Treasury.

The Commonwealth Bank of Australia is a Government Bank, but its policy is identical with the policy of the Bank of England; and the same comment is applicable to the Bank of New Zealand, which has just been nationalized with the able assistance of its governor (who was sent out from the Bank of England to do the job), and to the Bank of Canada.

No nationalization of banking will put one penny into the hands of the individuals comprising the countries over whom it rules, so long as this question of the ownership of money is left unaltered. But if it once be admitted that *the community, not its Government*, is the owner of the money, and the individual, as part of the community, is entitled to his share of it, the situation is obviously very different.

NEW ZEALAND SCHEME

To fix this idea in your head I will read to you the suggestions that I made to the New Zealand Government at the Monetary Commission in 1934. They have been allowed very carefully to drop into oblivion, which I think is a tactical mistake on the part of the New Zealanders, and which I am sure will be repaired before many years are past.

i. From the enactment of these proposals no Bank in New Zealand shall distribute a dividend either in or outside New Zealand in respect of operations carried on within the Dominion of more than six percent (6%) per annum on the subscribed capital.

ii. No Bank shall increase its capital in such a manner as to affect the gross amount of dividend distributed in respect to business carried on in New Zealand except with the consent and through the agency of a legal enactment of the Dominion Legislature. Within three months from the enactment of these proposals every Bank operating in New Zealand shall make an exact return of its assets, specifying in particular all stocks, shares, and debentures purchased by the Bank, the prices paid, and the prices at which such stocks, shares and debentures are held on the books of the Bank for the purpose of the annual balance sheet.

The same procedure shall be adopted in regard to all real estate, buildings, and all other immovable property, together with furniture, fittings, and appliances in the Banks' ownerships. Such statement shall include a sworn valuation of the current market value of all such assets at the date of the return, such valuation to be made by an independent surveyor or valuer.

iii. Where it is found that the figure at which such assets are held on the books of the Bank for balance sheet purposes is lower than the market value as obtained by the sworn valuation, an amount equal to such difference shall be transferred to an account to be known as "Suspense Account No. 1". Where the Bank in question operates in other countries than New Zealand, a complete return shall be rendered and a proportionate allowance for external business shall be made.

iv. All profits earned by the Bank from any source over and above the amount necessary to pay a dividend of 6 percent shall

be transferred to an account to be known as "Suspense Account No. 2".

v. Six months from the enactment of these proposals an amount equal to 50 percent of the amount standing to the credit of Suspense Account No. 1 shall be applied to a reduction of the overdrafts debited to the customers of the Bank, such appropriations being made pro rata on the basis of the average overdraft of the Bank's customers for a period of three years preceding the date of the enactment of these proposals, and such appropriation of half the balance of this Account shall be made annually thereafter.

vi. One month after the publication of the annual balance sheet of any Bank, an amount equal to seventy-five percent (75%) of the amount standing to the credit of Suspense Account No. 2 shall be applied to the reduction or reimbursement of interest paid on overdrafts by the Banks' customers, such reduction or reimbursement being made upon the same pro rata basis as that laid down in paragraph v.

vii. A similar procedure to that laid down in the preceding paragraphs shall be applied to the accounts and assets of all Insurance Companies operating in the Dominion, with the exception that the funds required for (Insurance) Suspense Account No. 1 shall be provided by rediscounting the disclosed reserve with the New Zealand Reserve Bank, and that the disposition of the funds so provided shall be as in the following paragraph:

Fifty percent (50%) of the amount to the credit of (Insurance) Suspense Account No. 1 shall be applied annually to pay for the preference shares or debenture stocks applied for by any natural-born New Zealand subject over twenty-one years of age, to the extent that applications for shares to be paid for by this fund can be met. Such shares shall be allotted pro rata to the applicants without charge, and shall be registered as nontransferable and as not good security for loans. On the death of a holder, or his permanent residence outside the Dominion, such shares shall be cancelled.

viii. (Insurance) Suspense Account No. 2 shall be retained as a Dividend Equalization Fund to ensure that the dividend on all preference and debenture stocks allotted under the preceding

clause shall receive a dividend at the agreed rates. Should this fund increase at a rate exceeding five percent (5%) per annum, such excess shall be allotted to a **pro rata** increase in the dividend on such shares as have been subscribed for under Clause vii.

ix. These proposals are intended for consideration in the light of the correspondence which precedes and accompanies them.

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PUNISHMENT BY TAXATION

If the present system of taxation consisted, as it does, of an organized system of robbery but without any other objectionable aspects, it would, in all conscience, be unjustified. But in the past few years, and particularly since the War, another feature of it has come into prominence, although there is very little doubt that it has always been contemplated. I refer to the use of the taxation system as a method of inflicting punishment without trial and at the discretion of anonymous individuals.

As an example of what I mean I might say that, since my own efforts to explain the nature of the taxation have come into some prominence, I have been consistently pestered by various assessments for income-tax which require a great deal of time, expense, and trouble to dispose of. Even if and when disposed of, they constitute a serious additional tax, since it is inevitable that skilled legal assistance be employed in connection with them and much data collected, and, of course, the cost of this is not reimbursed.

It would be incredible, if it did not happen to be true, that a system which allows a claim to be made upon you, leaving the trouble and expense of proving that it is not justified upon the shoulders of the person assessed and that no redress for unsubstantiated claims is possible, would be tolerated; but that is exactly the reverse of ordinary business procedure, where a claimant for services rendered can always be put in a position of proving his claim.

The system employed traverses the fundamental principle of British justice, in that it forces you to give evidence against yourself.

During the War, I had some contact with the more hidden side of politics, and I was informed that income tax was a favorite device for penalizing

anyone unpopular with the authorities. The same sum in taxation could be raised far more cheaply and with infinitely less friction by simple taxes, such as sales taxes, or other straightforward devices, even if it be granted, which of course is not the case, that the taxation was necessary.

The recent commission upon the simplification of income tax stated that many of its provisions were "frankly unintelligible to them and that only the skilful administration by the Inland Revenue officials had made them workable." This is exactly what they are intended to be, thus leaving the power over the individual for taxation purposes in the hands of the bureaucracy.

Lord Hewart of Bury, the Lord Chief Justice, has done invaluable service in drawing attention to this particularly objectionable form of tyranny.

But there will be no alleviation from it so long as political power is allowed to rest in the hands of the oligarchy which rules us at present.

I have devoted a good deal of my time and yours tonight in making and, I hope, making beyond any possibility of discussion, the point that, so far from being taxed for our membership of a potentially prosperous undertaking, we ought to be receiving dividends; and the reason that we are not receiving dividends is that so much of these dividends as they require are annexed by international finance, while the remainder are concealed in invisible reserves, so that by the lack of them we may be made servants of the banker, and that, by means of economic deprivation and taxation, he may punish any rebellion against his rule. But I would repeat a phrase which I quoted at the beginning of my address. "It is no use having the logic if you have not got the guns."

Let me emphasize what I mean in this connection, because I have been accused of advocating rebellion against the State. Nothing of the kind. What I am telling you is that either you are the State and you can change what you do not like, or else the State is your enemy; and all the powers of the State derive from you and have been usurped from you to the extent that they have been separated from you. I am confident, with a confidence that nothing will shake, first of all, that a genuine democracy of policy is the fundamental basis of association, and that no association which disagrees with this idea can continue.

Therefore, the first requisite is to get into your consciousness as a living, driving, motive force that this is *your* country and that the conditions in it are *your* responsibility, and that Government officials are *your servants* and not your masters, and that the sooner that they are told it in

unmistakable terms the better it will be for you and better it will be for them.

At the present time we live in a false and completely ineffective so-called democracy, really an oligarchy of the worst possible kind. Not only is an open and genuine dictatorship preferable to an oligarchy masquerading as a democracy, but it is a sure and certain outcome of it. I do not believe that the people of these islands will tolerate an open dictatorship, but, unless you take action, an open dictatorship will be tried.

Once having got it into your minds that yours is the real power if you would only exercise it, the mechanism existing at the present time, with very slight modifications, is easily sufficient to make your power effective if you will bear certain fundamental considerations in mind.

Don't imagine that a question of democracy has anything to do with leadership. Democracy and leadership are a contradiction in terms. There is more room for leadership in the world than ever there was, but your leaders should be your servants not your masters.

Don't waste your time looking round for someone who is going to do the job for you, you won't find him. If you won't do it yourselves, it is not going to be done. Take your present Members of Parliament just as you find them and disabuse them of the ideas that they are heaven-sent geniuses, whom you have elected to run the country for you. They don't run the country anyway, but you let them think that they do. Your Members of Parliament are elected to represent the common will, not the uncommon intelligence. The proper place for intelligence is in the ranks of the technicians who should be the servants of the common will.

With the common will goes the common power, that is to say, the Army, the Navy, the Air Force, the police, and the other sanctions of the Crown. It isn't necessary and it is obviously utterly impracticable for you to organize an army, navy and air force to fight the State. The State has them already, and the State is your State. Make it perfectly clear that you are going to have it used for your purposes and not for the purposes of the oligarchy.

In this connection, perhaps I may emphasize the absurdity of talking

about systems, as if systems could be run without men. Deep down below questions of finance the fundamental issue which is at stake in civilization at the present time is that of personal responsibility.

You cannot fight a system, you can only fight the people who put a system into operation. You cannot fight robbery, you can only fight robbers. You cannot fight malaria, you can only destroy mosquitoes. One of the most pestilential features of our present civilization is the idea that if someone is paid by an organization to do an injustice, the responsibility for the injustice lies upon the organization and not upon him.

Make no mistake about it, there is no justification for such a theory in the working of the universe. If you put your finger in the fire at the orders of the company which employs you, it is you who will be burnt, not the company. When a Government department inflicts some limitations of your liberty upon you, it is not a Government department which is doing it, it is some individual, and he does not inflict it upon an abstraction called "The Public", he inflicts it upon John Smith and Mrs. Brown.

You will never get effective action in connection with matters of the description that we are discussing tonight if you allow those who put the system into operation to disclaim responsibility for their particular share in it while benefiting by their aid to the so-called system.

If tax collectors had to add out of their own pockets ten percent to the money they collect, we should all have much smaller assessments. The restoration of the conception of the responsibility of the individual for his acts, whether or not those acts are done under the orders of someone else is, in my opinion, essential to a better and more stable world, and I would particularly commend to your attention the habit of identifying actions with men rather than with systems.

You will, in fact, be assisting those men to recognize their responsibility, which it is obvious is far from being the case at the present time.

It would be an impertinence for me to comment on local politics, and I

have no intention whatever of so doing. But I would emphasize the immense advantage possessed by small and comparatively mobile communities in obtaining control over their own policy, and urge you to resist any suggestion which would diminish that advantage. It is the settled policy of international finance to diminish local sovereignty, and it should be your policy to increase it.

In conclusion, perhaps you will allow me to express my opinion that in this matter it is now a fight to the finish. Within the next few years you will either become subjects of a servile State, exceeding in powers anything known in history, quite possibly well-fed and secure in the days of chattel slavery and resented their freedom —or you will, but only by means of the greatest struggle in history, have achieved all these things, together with freedom — freedom of speech, freedom of action, immense leisure, immense opportunity.

No one is going to get these things for you. You must choose whether you want them, and if you decide that you do, you must take action without a moment's delay.

THE ELECTORAL CAMPAIGN

We have in Belfast, and, in fact, all over the world, a mechanism known as the Electoral Campaign which, with the proper spirit behind it, can make the Government your servants. We have provided you with the mechanism, you must supply the spirit.

The principals involved in it have been tried in many places and have never failed. The soldiers' bonus in the United States was forced through Congress against the bitter opposition of all the financial interests by exactly the methods we are asking you to employ. When Mr. Roosevelt was accused of yielding to pressure from financial interests, he replied with, in my opinion, complete justice, "It is my business to yield to pressure."

You, the individuals whose interests are always at stake in matters of policy, who are killed, wounded, maimed, poisoned in every war, who are starved and broken in every industrial depression, who work long hours under, in some cases, unpleasant conditions for objects from which you do not benefit — you are the people who never apply any effective and continuous pressure to the

Government.

I sometimes think that the better intentioned amongst the ruling oligarchy propound their calculated insults from time to time in order to sting you into awareness of the situation.

Let us send them a message from Northern Ireland to assure them that they have succeeded.