THE FIG TREE

A Douglas Social Credit Quarterly Review

Vol. 1. No. 2. (New Series). SEPTEMBER, 1954.

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Published by K.R.P. Publications Limited,
Lincoln Chambers, 11, Garfield Street, Belfast.

By Annual Subscription 20/- or quarterly 5/-.
Post free everywhere.

Mr. Macpherson's Feud

Attacks on Social Credit are seldom deserving of more than passing notice. These are commonplaces of a corrupt politics. When, however, a carefully-timed offensive is unleashed after years of careful preparation and backed by the prestige of a great university and the millions of the Rockefeller Foundation, it requires attention if only to keep the record straight.

About nine years ago the Canadian Social Science Research Council accepted a generous grant from the Rockefeller Foundation to undertake a study of the background and development of the Social Credit Movement in Alberta. This investigation has been carried out exclusively by a group of university professors, and their findings are being published by the Universitiy of Toronto Press.

Up to the present, four volumes have appeared in the series, and others are to follow. The first three of these dealt respectively with "The Progressive Party in Canada," "The Winnipeg General Strike," and "Next Year Country—A Study of Rural Social Organisation in Alberta." They were by way of preparing the ground for the fourth, and probably the key work in the series, bearing the title "Democracy in Alberta," chosen perhaps ironically. The author is Mr. C. B. Macpherson, Associate Professor of Political Economy in the University of Toronto and a graduate of the University of London.

The first 92 pages of the 250 pages of text deal mainly with the nature of Alberta's economy, the social and political theory of the United Farmers of Alberta, and how their concept of democracy failed to work out in practice under the U.F.A. Government. All this, of course, is presented as viewed by the author, and, making allowances for the tortuous mental processes of economists and their love for weaving patterns and developing theories, the treatment is reasonably objective; sometimes even sympathetic. Nevertheless the emphasis and interpretations are nicely designed to carry the reader along with the development by Professor Macpherson of his theory, linking the United Farmers of Alberta and the Social Credit movement to explain why it had to be in Alberta that the latter found acceptance.

With Chapter Four, the reader in introduced to "English Social Credit: The Social and Economic Theory." Much thought and venom and relish must have gone into its opening sentences. "At about the same time that Henry Wise Wood in Alberta was beginning to develop what became the leading ideas of the U.F.A. an English mechanical engineer, Major C. H. Douglas, *hit on the notion which became the doctrine of Social Credit.*" (The italics are ours.) The author proceeds. "Compared with the indigenous agrarian thinking of the U.F.A., English Social Credit theory was from the beginning urban and cosmopolitan. *It was the product of a few men whose talents were not accommodated by their society and who rebelled against it.* It had no roots in any stable section of English Society but appealed to shifting urban groups." (Again the italics are ours.)

At this point it is necessary to digress in order to come back to Professor Macpherson's subsequent treatment of Social Credit.

II.

Notwithstanding a mental stature unusual in any society, Douglas's outstanding characteristic was a profound humility—a humility which was reflected in his writings and in his life. This is one quality which set him apart from his contemporaries and ensured him a lasting place with the truly great men in the annals of human endeavour. Where others viewed the world in terms of mankind's struggles and achievements, and society as the creature of man's brain and behaviour, with the realism of the engineer and the penetrating spirituality of a Mediæval theologian, Douglas saw the Universe as an integrated unity centred in its Creator and subject to His Law.

It was the basis of Douglas's philosophy, of which Social Credit is the policy, that there is running through the warp and woof of the Universe The Law of Righteousness—Divine Law—which he termed "The Canon." Just as the stars in their courses, the electron in relation to the proton and the behaviour of light are obedient to it, so all Life is governed by the Canon. Because of the higher intelligence and free-will accorded to him, Man cannot rely on instinct to guide him in his adherence to the Canon. He must seek it actively, and to the extent that he finds it and conforms to it, he will achieve harmony with the Universe and his Creator. Conversely, to the degree that he ignores the operation of the Canon and flouts it, he will bring disaster upon himself.

It was inherent in Douglas's writings that he viewed society as something partaking of the nature of an organism which could "have life and life more abundant" to the extent it was God-centred and obedient to His Canon. Such a social organism would be the corporate expression of the lives and relationships of its component individuals. Within it, the sovereignty of "God the Creator of all things visible and invisible" being absolute, there must be full recognition of the sanctity of human personality, and therefore, of the individual person as free to live his life and, within the body social, to enter into or contract out of such associations with others as, with responsibility to his Creator, he may choose. And no person may deny to another this relationship to God and his fellow men without committing sacrilege.

This concept, reflecting the ideal of Christendom as the integration of Church and Society which was the inspiration of European civilisation for centuries, involves adherence to a policy in every sphere of social life, economic, political and cultural. This is the policy which Douglas termed "Social Credit."

Looking out upon the world with a clarity of vision which was unique in his time, Douglas saw a doomed civilisation committed to the opposite policy, stemming from a conflicting philosophy, a philosophy which deified Man and sought to subjugate the world to him. Writing in January, 1924, over thirty years ago, he said:

"There is an ancient saying (which will bear consideration in these days of change and unrest) that the devil is God upside down. A consideration of many of the tyrannical practices which obtain support in Great Britain and America under the cloak of such words as Justice and Democracy, and the object lesson provided by Russia, and possibly by Italy and Spain as the consequences of their extension, may serve to emphasise the necessity for clear thinking in this matter."

A few weeks earlier he had written: "The outstanding fact in regard to the existing situation in the world at the present time, is that it is unstable. No person whose outlook upon life extends even so far as the boundaries of his village, can fail to see that a change is not merely coming but is in progress; and it requires only a moderately comprehensive perception of the forces which are active in every country of the world today to realise that the change which is in progress must proceed to limits to which we can set no bounds.

"That is to say, the break up of the present financial and social system is certain. Nothing will stop it . . . the only point at issue in this respect is the length of time which the break-up will take; and the tribulations we have to undergo while the break-up is in progress."

The intervening thirty years, unfortunately, have vindicated Douglas's repeated warning. And it is indicative of the precision with which he presented his case, that despite the highly technical nature of certain aspects of it, he never found it necessary to alter or modify any of his material. It remains as correct today as it did at the time, and the passage of years has merely provided proof of its accuracy.

The emphasis of Douglas's earlier writings was on economic policy. His critical analysis of the economic system was devastating. He showed how it had been perverted by the manipulation of the mechanism of finance into an instrument for the concentration of power, instead of fulfilling its function of "delivering goods and services as, when and where required."

And this brings us back to Professor Macpherson, for it is on Douglas's exposure of the fraudulent nature of the financial system that he concentrates his main attack on Social Credit. In opening his case Professor Macpherson naively remarks: "The whole of Douglas's analysis of money, credit and prices need not be examined here." In a footnote the reader is referred to the familiar battery of Socialist economists, Gaitskell, Cole, Hiskett, Franklin and Lewis and their criticisms, but no mention is made of the refutations of these.

The author continues: "But the much discussed A plus B theorem which was the core of that analysis, does require some attention. For its characteristic quality—the false clarity which made it impossible either to understand it or refute it in simple terms—had much to do with the reception of social credit in Alberta and with the nature of the political movement built on it there."

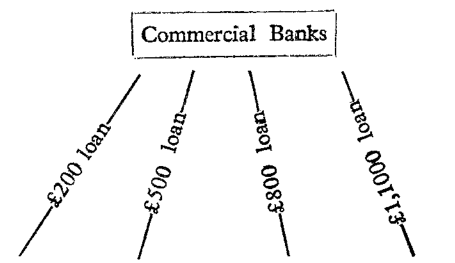
For purposes of considering Professor Macpherson's subsequent efforts to show its fallacies it is convenient to state the A plus B Theorem in Douglas's words:

> "A factory or other productive organisation has, besides its economic function as a producer of goods, a financial aspect—it may be regarded on the one hand as a device for the distribution of purchasing power to individuals, through the media of wages, salaries and dividends; and on the other hand as a manufactory of prices—financial values. From this standpoint its payments may be divided into two groups:
>
> *Group A*: All payments made to individuals (wages, salaries and dividends).
>
> *Group B*: All payments made to other organisations (raw materials, bank charges, and other external costs).
>
> Now rate of flow of purchasing power to individuals is represented by A, but since all payments go into prices the rate of flow of prices cannot be less than A plus B. Since A will not purchase A plus B, a proportion of the product at least equivalent to B must be distributed by a form of purchasing power which is not comprised in the description grouped under A."

This, the A plus B Theorem, like all theorems, is a simple statement of fact. Its wording was never varied in any of the many occasions on which it was stated by Douglas. Its terms are explicit and its implications have been explained by Douglas on numerous occasions. Yet the reader is told by Professor Macpherson: "The fallacies of the theorem would have been readily apparent had it not been presented with such lack of definition and such variety of interpretation. Douglas was able to maintain it for some years by a nimble imprecision; the terms used could mean so many things that when the fallacy of the theorem on one interpretation of terms was demonstrated recourse could be had to another interpretation equally impressive. But on no interpretation could the theorem be sustained. The politically significant point about the theorem is that it was always so loosely stated that it needed extensive definition before it could be examined, understood, or refuted."

Tut! Tut! Perhaps it was the precision with which it was stated without variation that has proved so annoying. But as it is all too apparent from the amazing argument which follows, that either Mr. Macpherson is genuinely bewildered himself (and who would blame him if he has been relying on a diet of Hiskett, Cole and Gaitskell to give him understanding) or he is determined that his readers shall be thoroughly bewildered.

As the precise meaning of words appears to cause Professor Macpherson some difficulty, a diagrammatic illustration of its implications may assist him to the understanding which has eluded him.



	W Stage 1	X Stage 2	Y Stage 3	Z Stage 4	
A Payments	£200	£200	£200	£200	= £800
B Payments	£100	£300 + £100	£600 + £100	£900 + £100	=£2,200
A plus B	£300	£600	£900	£1,200	=£3,000

For purposes of this illustration it is assumed that:

(1) There are four plants each involved in a single stage of the production of a product. W, X, and Y are intermediate stages, and Z is the final stage from which the finished product enters the consumer market.

(2) Each firm is operating on working capital in the form of renewable bank loans (which by the nature of our credit system, is a correct assumption to apply to industry as a whole).

(3) All stages of production are proceeding concurrently. Each stage takes one month, so that when the product from W

moves on to X, the product of X moves on to Y and so on down the line.

(4) At each stage the wages and salaries paid out amount to £200, and the allocated costs in respect of plant depreciation and other reserves is 50% of the direct labour costs.

(5) It is assumed further, for purposes of simplification, that the rate of savings exactly balances the rate at which purchasing power is distributed in respect of capital goods production.

It should be noted that the process is continuous—that there is a steady flow of goods and prices from W to Z and thence to the consumer market.

The *rate of flow* of purchasing power (A) is £800 during the month.

The *rate of flow* of prices (A plus B) is £3,000 during the same period.

Ignoring savings, a portion of the product equivalent to B (2,200) must be distributed—*i.e.* passed on to the purchaser, whether of the intermediate or the final product,—by a form of purchasing power not included under A. This is done in the foregoing illustration by means of short term producer bank loans, *assuming that the final product can be bought by the public with the purchasing power distributed in its production.* Demonstrably it cannot. Therefore, unless it is to remain unsaleable it must be sold outside the credit area (exported) or its purchase must be financed by consumer bank loans (made available by extended credit terms to purchasers). The present financial system provided no other alternatives. The former course must lead to international friction. The latter merely delays the inevitable breakdown of the distributive mechanism.

It should be noted in the above illustration that although, through industry, the public has produced intermediate goods priced at £1,800 it can have access to those goods only by permission of the banking institutions possessing a monopoly of providing the financial credit facilities for moving them from one producer to the next in the production line.

The foregoing explanation would not be complete without reference to the manner in which the capital goods of industry (plant, buildings, *etc.*) are financed. The orthodox theory is that all such production is financed by the investment of financial savings. Although the actual process is more complex than this, its implications are the same and, therefore, can be considered on this basis.

In order to simplify the matter still further let us assume that a company erected a factory costing one million pounds. Let us assume, further, (which is far from being the case) that this one million pounds was distributed in wages, salaries and profits and

entered the purchasing power pool of the public. As banks only lend for short-term projects, the company in question must now invite the public to subscribe one million pounds to shares and debentures in the undertaking. This the public can do only out of its purchasing-power pool. It surrenders the money in exchange for the shares and debentures. The bank loan is repaid, the money is cancelled and the new factory commences to operate. Into the price of its products it must now charge—over a period of years—the cost of the factory (apart from any question of profit or interest on its debentures). That it should do so is right and proper, but the consuming public does not possess the purchasing power, and has no means of acquiring it, in order to liquidate these allocated costs.

When it is considered that the greater portion of the total capital investments in the vast and rapidly expanding industrial machine represents a charge against the consumers of its products—a charge which can be recovered only through prices without the equivalent purchasing-power being made available, something of the implication of the simplified diagrammatic illustration given above can be gauged.

And now let us turn to Mr. Macpherson's handling of the Theorem:—

"The theorem begins by considering the product of one factory or firm, and appears to say that, to enable the product to be purchased, the wages, salaries, and dividends (A) paid out by that firm should be, and never can be, equal to the collective price (A plus B) of the firm's product. Granting that the collective price of the firm's product is equal to the A plus B payments of that firm, as Douglas assumes, it is plain on his definitions that A cannot be equal to A plus B. But since all firms must be considered together it is nonsensical to say that for the whole product of this firm to be bought, this A should be equal to this A plus B. Some other meaning, then, must be attributed to the theorem. It can be thought to mean that the wages, salaries, and dividends paid out by all firms in a given period of time, say a year (the 'rate of flow of purchasing-power') must, for the whole product of all firms to be bought, be equal to, but never can be equal to, the collective price of the whole product during that year. Now on one definition of collective price of the whole product Douglas could show that the A payments could not be equal to the collective price, and on a different definition of collective price of the whole product he could show that the A payments must, for the whole product to be bought, be equal to the collective price. But on no single definition of collective price could he demonstrate both these propositions.

"Thus, if the collective price of the whole product is defined as the sum of the prices of all goods (both consumers' goods, which are to be taken off the market by individual final consumers and producers' goods, *e.g.* plant, machinery, raw materials, semi-manufactured goods) produced in the year, the A payments will not be equal to but will be only a small fraction of this collective price. For this collective price is got by adding together all the payments made by all the firms to each other and all the payments made by all the firms to individuals. But the A payments need not equal the collective price for equilibrium, because the final consumer does not need to purchase all the producers' goods; what is required for equilibrium, is that the A payments of all firms should equal the sum of the prices of the consumers' goods, that is, that the payments to individuals who are assumed to be the final consumers, should equal the sum of the prices of consumers' goods.

"If on the other hand the collective price of the whole product is defined as the sum of the prices of the consumers' goods produced in that year, then equilibrium does indeed require that the payments made to individuals during the year should equal the collective price, provided that we leave aside the complications of changes in saving and investment. But what is required is that A payments made to individuals this year by ALL firms, that is, the wages, salaries, and dividends paid to individuals by the firms making producers' goods as well as those making consumers' goods, should equal the collective price of the years consumers' goods only. Major Douglas gave no reason why these sums could not be equal.

"Yet on his definitions and at his level of abstraction (disregarding changes in savings and investments, and all other factors affecting output) the two are automatically equal. For on his definition the collective price of the consumers' goods coming on the market this year equals the A plus B payments of the consumers' goods firms this year. And, although he would never admit it, on his definitions and assumptions the B payments of consumers' goods firms this year equal the A payments of producers' goods firms this year. He did admit that the B payments of consumers' goods firms in one period equalled the A payments of producers' goods firms in the previous period, but he held that this was irrelevant because those A payments would have been spent for consumers' goods in the earlier period, and would not have been available to buy consumers' goods in this period. In spite of his talk about rates of flow, he did not see, or would not recognise, that production of both kinds of goods is a continuous process, that A payments were being made this year by producers' goods firms and that these were available to purchase this year's consumers' goods. If as Douglas assumed the economy is neither expanding nor contracting for some other reasons, the

A payment of producers' goods firms will be the same amount this year as last year. So on his definitions and assumptions the A payments of producers' goods firms this year must equal the A payments of these firms this year which were admitted to equal the B payments of consumers' goods firms this year. Thus the A plus B payments of consumers' goods firms this year plus the A payments of producers' goods firms this year; in other words, the collective price of this year's consumers' goods equals the sum of this year's A payments by all firms.

"This kind of demonstration of the fallacies of the theorem is as unreal as the theorem itself; what it shows is not that the economy is always in equilibrium but that Douglas's assumptions were inadequate and his conclusions unproven. However it is interpreted, the A plus B theorem does not demonstrate a necessary chronic shortage of purchasing power. Hence the main case for the continual injection of new money by way of social credit dividends or subsidies to producers appears to collapse."

Not satisfied with this exhibition of unintentional humour, a few lines further on Mr. Macpherson says: "It need not be suggested that all those who found merit in the Douglas theory were incapable of understanding a logical analysis ot it. But they were not apt to be impressed by even the most able criticism, for the critics were suspect. The orthodox economists were not in a strong position, for they had no very satisfactory explanations of the failure of the economy, and they appeared at least to believe that production automatically provided just the right amount of purchasing power."

And then before leaving the subject, he has one last fling at the theorem. "The flood of critical analysis" he tells us had, however, considerable cumulative effect. Although Douglas never repudiated the A plus B theorem, and continued to make occasional reference to it, he pretty well let it go by default. . . ." He did *not* "let it go by default" unless it is understood by the phrase, which is unusual, that his opponents were the defaulters. He turned to a wider problem—the political.

III.

So, from the A plus B theorem, Mr. Macpherson launches into an attack on what he describes as "The Broader Case for Social Credit." The nature of his criticism can be judged by these gems of distorted reasoning:

"The criticism, pressed by those who had discovered the fallacy of the A plus B Theorem, that the issuance of Social Credit [*sic*] would be wildly inflationary, could be outflanked without using the technical analysis. Douglas only had to point out that the limiting points to the creation of new credit without inflation are either the unused capacity to produce or the satiation of all human wants, and that both these were indefinitely remote."

Passing over the dishonesty of this statement, the complete answer to it is, of course, provided in Douglas's submission to the Macmillan Committee:

> "The general principles required of any financial system sufficiently flexible to meet the conditions which now exist and to continue to reflect the economic facts as these facts change under the influence of improved process and the increased use of power, are simple and may be summarised as follows:—
>
> (a) That the cash credits of the population of any country shall at any moment be collectively equal to all collective cash prices for consumable goods for sale in that country (irrespective of the cost prices of such goods), and such cash credits shall be cancelled or depreciated only on the purchase or depreciation of goods for consumption.
>
> (b) That the credits required to finance production shall be supplied not from savings, but be new credits relating to new production, and shall be recalled only in ratio of general depreciation to general appreciation.
>
> (c) That the distribution of cash credits to individuals shall be progressively less dependent upon employment. That is to say, that the dividends shall progressively displace the wage and salary, as productive capacity increases per man-hour."

On page 117, Mr. Macpherson protests:

> "Again, it was never explained how the maintenance of the existing property rights of shareholders was compatible with the widespread distribution of unearned income to the wage-earners and with the widespread withdrawal of labour which was intended to follow. If people were to work less and less, how was the rate of profit on invested capital to be maintained? It is doubtful if Douglas saw any problem here for he had only a confused notion of the source of profits and of exchange values. He saw, at times, that both value and profit were based on scarcity and on human effort, but he did not see that to diminish scarcity and diminish the expenditure of human effort, as social credit was to do, would diminish exchange values and profits."

Of what use would any explanation be to a man who believes that to increase production with decreased human effort could result only in impoverishment? That is the sole meaning, if any, which can be attached to diminished "exchange values and profits."

But curious as this process of reasoning appears, on the next page we are told:

> "The present value of land, labour, and capital is due to the productivity conferred on them by the present utilisation of the technological heritage. The right of ownership of land and capital has its present value because their employment yields the present rate of profit: and it would not yield that profit if it did not include the right to the benefit of the technological heritage.
>
> "Moreover, the maintenance of a rate of profit sufficient to keep capitalist enterprise functioning has required, and may be assumed to require in the future, continual technological improvement; hence if existing ownership rights in capital are to maintain their value in the future they must include, as it were, a mortgage on the social heritage which is still to be realised. It is not simply that under the capitalist property system the technological heritage is all privately owned already; but that present ownership rights, to maintain their value, must absorb the future technological increment at a rate at least as great as at present."

That should be read again, *slowly*, so that its full significance sinks in. Having established the Credit Monopoly's right to hold the cultural heritage in pawn in perpetuity, we have no doubt that on this score alone, Mr. Macpherson's reputation will be assured in the parlours of Pine and Wall Streets.

IV.

The Chapter on "English Social Credit: The Political Theory and Practice to 1935" opens on this promising note: "The English Social Credit Movement was conceived in disappointment." After what for Mr. Macpherson is not an unreasonably inaccurate, if over-generalised, review of the early years of the Social Credit Movement's growth, he edges into the case he is building up against "Social Credit Political Theory," as he calls it. He tears the following passage from its context in Chapter 1 of *Credit Power and Democracy*:

> "Real democracy is the expression of the *policy* of the majority, and, so far as that policy is concerned with economics, is the freedom of an increasing majority of individuals to make use of the facilities provided for them, in the first place, by a number of persons who will always be, as they have always been, in the minority."

Onto this he tacks another passage torn from its context in Chapter IX of the same book:

> "The essential nature of a satisfactory modern co-operative 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 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."

He then comments:

"The implications of this view of the desirable state were scarcely considered. The existing relation between parliament, the cabinet, and the permanent civil service was rejected but nothing was yet put in its place. All that was asserted was that the people should be consulted only about the broadest objectives, and that all else, including foreign policy, fiscal policy, *etc.* (which are not "policy" in Douglas's sense, but merely methods), being beyond the competence of the people, should be left to the experts, subject only to the people's right to remove the experts who failed to produce the results.

"Nor was much attention given to the problem of how the existing political system could be reformed to the desired pattern."

It is harsh to accuse a writer of stupidity or dishonesty. Yet to anybody familiar with *Credit Power and Democracy* it will be evident that the foregoing passages read in their context plainly refer to the principles of democracy applied to the economy—economic democracy in fact. To which the author, no doubt, would retort: "Never heard of it."

After some pages devoted to the Green Shirt Organisation; the reader is told that, because of their success, Douglas decided it was clearly time "to develop a political strategy of his own." After a garbled and generally inaccurate presentation of the Buxton Speech, and of subsequent speeches by Douglas, Mr. Macpherson really gets down to business—monkey business. He writes (and at this point extensive quotation is necessary):—

"It is apparent that the Douglas theory of the role of the expert and the representative, in spite of a superficial similiarity to the theory and practice of British cabinet government, is basically different. In both schemes the elected representative and the cabinet minister are not meant to be experts but are meant to shape general policies following the will of the electorate and to require the experts in the civil service to carry them out. But Douglas drew a line between policy and administration which left nothing within the scope of policy except the general will for freedom, security, and plenty, and the power of removing and appointing the experts. Consequently his scheme represents an utter transformation of all the relationships in the prevailing system. Parliament, whose members had been elected on no party platform, and were committed to no measures or principles or programmes, would be divested of its present functions and responsibilities. Almost all the questions which now occupy parliament and cabinet would be left to the administrators. Parliament could not consider any economic legislation even in principle. Since no such legislation could be submitted to it, practically all legislation would become delegated legislation. The civil service would become virtually autonomous: nothing that it did could be touched; there would be no protection from it except by removal of its leading men. The cabinet was to renounce responsibility for almost all substantive legislation and administrative measures. No longer would the cabinet minister be responsible to parliament, and indirectly to the electorate, for all that was done by his departmental officials; the essence of Douglas's scheme was that the officials, not the minister, would be responsible. But in this shift of responsibility something was left out. The minister at present is responsible for everything—principle and detail, but the expert in Douglas's scheme would be responsible only for the broad results. No one would be responsible to the electorate for the actual operations of any scheme; neither minister nor parliament could approve or disapprove of "methods.' Thus Douglas's proposal for destroying the irresponsible power of the permanent official, by making him personally responsible and no longer permanent is virtually self-contradictory.

"The same may be said of his scheme viewed in its other aspect, that is, as a way of making parliament an effective instrument of the people's will. Parliament was to be freed of every function and responsibility except expressing the general will of the electorate and keeping up adequate pressure on the administrators. But since parliament would have no responsibility for what was done or not done, either by way of legislation or by way of administration, members of parliament could not be tested by their record in the usual way. The only record they could submit to the electorate would be their vociferousness in pressing the demands of the popular will for results and their show of activity in removing and appointing administrators. These are qualities in which it is not difficult to appear proficent. Once the experts were made responsible and removable, the representatives might well become irremovable as well as irresponsible.

"We need not examine the hypothetical effect of the Douglas system of democratic government any further. It can be called democratic only in the sense that a plebiscitarian dictatorship is democratic. No other outcome was possible for a theory which began from the assumption that the people could never be competent to form intelligent opinions on public affairs."

The professional economist is, indeed, a curious species. His mind appears to function quite differently from other men's minds, and words seem to mean whatever he wants them to mean. The implication of the foregoing passages from the book are, of course, that all Social Crediters are imbeciles, and that Douglas was either a master spoofer or a simpleton. It would not occur to Mr. Macpherson that he could hardly have written a more damning indictment of himself.

Yet, for purposes of the record, we must perforce answer his preposterous interpretation of what Douglas had to say about political democracy.

Douglas never put forward a new scheme of parliamentary government. He did point out why "democratic" parliamentary governments are *not* responsive to the will of the people, and he did enunciate in very explicit terms, the principles by which established parliamentary institutions could *be made* instruments of genuine political democracy, and not only "genuine" in the classical sense but sound and organic as well—continuously functioning societies.

However, in order to deal with the tactics of the author under consideration, it is necessary to digress into a consideration of the nature of these institutions.

Democracy, to have any definite meaning, is an arrangement of a community's affairs so that the greatest number of individuals obtain the results they want from their association, and are satisfied.

Political democracy is the domain which is concerned with the policies of such a community. This is the sphere of constitution, government and law. Policy is the specification of the results desired in their order of priority and of the principles to be observed, which together indicate a general course of action.

Administration is the devising of techniques and putting them into effect to attain the results specified in accordance with the principles laid down.

Representative or Parliamentary government is a system whereby the people, as the sovereign body on policy, choose representatives to ensure that their—the electorate's—policy is carried out. Representative government is *not* delegate government. The elected members to parliament go, or should go, as representatives and not as delegates.

Under the British constitution, the Sovereign is responsible for the administration of the country's affairs strictly in accordance with the requirements of the people's representative. For this purpose a permanent organisation of public servants is maintained. They are supposed to be chosen for their knowledge and experience to perform the duties allotted to them. The executives of this civil service are expected to be experts in their own sphere of public administration, and they are available to advise and serve the government in office.

The sovereign appoints a chief or Prime Minister, and on his advice, other Ministers each with a functional responsibility, to assist him in ensuring that administration of the nation's affairs is carried out in accordance with the requirements of the people as communicated to Parliament by their representatives, and to be responsible for ordering the conduct of Parliament and the public service to that end.

It is axiomatic that the *purpose*—whatever *the mechanism*—of a genuine democracy is the freedom of the individual. Therefore "that government is best which needs to govern least"; that is to say, which passes a minimum of laws, and under which the economic and political life of the country is so arranged that, so far as possible, it automatically yields the results that individuals want.

It is transparently plain that under our party system of Parliamentary Government people are not getting the results they want, and to an increasing degree are being subjected to centralised domination by the State with a consequent loss of freedom. Douglas pointed out why this is happening; how the authority of the electorate over policy has been filched from them by the power of the financial monopoly which controls the economy; and how the policy of governments is dictated by this financal monopoly which dominates all parties by its control of finance, and, therefore of party funds and the instruments of publicity upon which parties depend for gaining popular support.

He explained the principles and strategy of action by which the electorate could regain their constitutional authority. This was simply (1) to initiate policy by stating in specific terms the results they want, (2) to elect only representatives who undertook to represent their demands in Parliament and to insist on the government taking appropriate measures to obtain these, and (3) to keep the heat turned on the representatives once they were elected to ensure they in turn would keep the pressure on the cabinet ministers to the point of forcing their resignations if necessary.

Douglas showed that by this means responsibility could be brought to bear on the financial institutions for the disastrous conditions which they are inflicting on the country. As they and they alone are responsible for the institutions under their administration, the government should insist that they reform their financial system under threat of heavy penalties for failure or refusal to do so.

The mental processes by which Mr. Macpherson arrives at his distorted interpretation of Douglas's proposals for political reform, would be inconceivable but for the fact that he was hell-bent on "making a case."