X

Summarizing nearly 400 pages describing the growth, machinery and action of the political Caucus in England, Ostrogorski makes the remark that " . . . the strength of . . forces invading a community lies not so much in the fighting power of their own contingents as in the weakness of those which they tend to supplant."

Ostrogorski does not seem to be aware of the principle embodied in Newton's third law, that whatever pushes or pulls is pushed or pulled to the same extent. This law of stress holds of mutually acting bodies in motion as well as at rest. Nevertheless, the statement serves to introduce us to the idea of the RE-acting forces in Society—or rather in wealth production in the broadest sense.

We have shown that as time has passed in the history of human association the number of natural associations which men have learned how to establish has vastly increased, and that correspondingly the *power* to do things in human association has increased. More and more increments of association have become available to men and women, and also more and more "decrements"—merely increments which are disadvantageous in some way or other—have become apparent.

The balance struck at any particular time in history would be the Social Credit actually realised at that particular time. At every time this has been a fraction of the true Social Credit of that time, and for a long time past men and women have had available to them vastly more POWER TO PRODUCE *satisfactory results* than they have realised. In other words:

$$\frac{\text{Consumption of goods and services}}{\text{Potential goods and services}} \doteq \text{an increasingly small fraction.}$$

$$\frac{\text{Produced goods and services}}{\text{Producible goods and services}} = \text{Another fraction,}$$

which is also diminishing, though not so obviously.

The fact that $\frac{\text{Consumed goods and services}}{\text{Produced goods and services}}$ is a fraction less than one is common knowledge: there is sabotage of goods and services. It is not evident to many people how much of this is hidden under pretexts which would scarcely survive inspection, let alone critical examination by a mind uncontrolled by false axioms. The operation of the principle of obsolescence in industry is an example. The 1945 model is more often scrapped to make work than because it is an advance on the 1944 model, and, in any case, a five *per cent* improvement does not reduce the article improved upon to no value as wealth.

The most important of the above fractions, however, is the first. Let us suppose that it is $\frac{1}{4}$ at a given time (the fraction happens to be the smallest on the typewriter used for typing these notes. It is unquestionably very much less than $\frac{1}{4}$).

What prevents it from rising to $\frac{1}{2}$ or $\frac{3}{4}$ or $4/4 = 1$? Why is it not $1/400$, or $1/40,000$?

It is very important to realise exactly what these questions mean. Regarding the matter objectively, what we have to do here is to state, if possible, the conditions in which this result occurs; the result, that is, that the realised Social Credit is one quantity rather than another.

We must be very careful here that we preserve our scientific balance. In the first place the question is a particular case covered by the more general question: "What determines the course of observed events in human communities?" But, going back to Lecture VIII, these questions are only forms of words: they are not questions in the natural language of action, capable of receiving a natural answer, such as is alone acceptable to scientific people. Translating into this natural language of action, we must come down again to the individual and his policy. (Policy—the result intended, *i.e.*, the objective of action). When two billiard balls collide, the whole of each ball does not touch the other directly: they collide at a point, the point of impact. Their behaviour after impact bears, so far as observation goes, a constant relation to the conditions in which impact occurs, the mass and elasticity of the balls, their movements (direction and velocity: rotation) immediately before impact, the polish of their surfaces, their shape and the features of the surface on which they are moving. So the individual intention meets all the resistance there is to its complete expression in attainment at a point of impact. This is not a permanent point, resembling the point at which the sharp ends of two needles might be made to touch and remain touching for a minute, or a month, or a year.

It is something like the point of impact of the billiard balls—instantaneous. Living may be represented as a constant stream of such impacts (taking the words "individual intention") in their broadest sense to mean everything the individual does that has an effective goal to it), and the life of the community as a whole is the sum of these streams. Notice that the "equal and opposite" resistance is as fragmented as the individual intentions which are resisted. It forms, as it were, an incessant moving face of points of resistance.

It hardly needs statement that the forms assumed by the multiple individual resistances are legion, just as the individual practical intentions which are resisted are legion. One can get farther away from what determines the course of events in history than these collisions; but one certainly cannot get any nearer to it. If individual intention and the resistance are regarded as opposing forces, they reveal themselves at the point, or points of application. We may say, then, that the first of the conditions we are seeking is (1) *equilibrium between action and reaction.*

It is probably well-known to you that many people have followed quite the opposite approach to this matter, and, trying to get as near to what they call (it is only a word) the " Truth ", they have gone as far as they can get from the actual collision of the forces they profess to be attending to. Inevitably, they reach abstractions, which may or may not have some degree of correspondence to the reality they are seeking to define. Certainly when not understood, or interpreted in the wrong relationship, such abstractions have the effect of removing the individual from his personal objective. Thus *alibis* are constituted for the human agent, which, even when deserving of recognition, or even reverence, when not so perverted, are the ' untouchable ' scapegoats for human error. It is not without significance that the highest concepts as well as the lowest of man's thought are pressed into this mischievous service. The following list is not exhaustive :—God, Divine Will, Prophesy, Allah, Ideas, (either in general or in particular), Pain, Pleasure, *Der Zeitgeist* (Spirit of the Age), *Die Gestalt* (Form), The Mode of Production and Distribution, Sin, Inexorable Economic Law, Evolution, Historical Determinism, Predestination, Climate, Sun Spots, The Profit Motive, Past Historical Events, " The War ", " They ", The System, The Economic System, Banks, Industrial Organisation(s), Fate, Education, Bad Education, Custom, Nationality, *etc., etc.*

To us as observers the great number and variety of these answers are informative :—

(1) The individual who believes that Allah, or Fate, or the Spirit of the Age, or inexorable economic law, or some very strong individual or a tendency or "trend" is what is resisting the attainment of his individual intentions is likely to be influenced to the extent of diminishing his determination to secure his objective, or his intention may be abandoned. In this case an idea has at all events contributed to the course of events. Only individuals can either act or react. Ideas may be instrumental to action or reaction.

(2) People are generally more prone to seek for explanations for what causes them discomfort than to trace their blessings to their source, apart from the " point of impact " already mentioned : they are realists in their pleasures, but not in their pains. We may infer, then, that men in general are not completely satisfied with their realisation of the Social Credit, since they seem to have sought diligently for the source of personal frustration.

(3) If it were possible for anyone to influence the realisation of the Social Credit adversely by his own action, and this action involved effort, he would approve of the ascription of responsibility to a wide variety of relatively irresistible forces of the abstract nature indicated in the list. The responsible individual is seeking an *alibi*.

(4) In the same case as (3) any spread of knowledge leading to more effective individual action to increase the Social Credit would be resisted. It is foolish to resist what is ordained. Any objective evidence for such resistance as is indicated here, therefore, would be evidence of disbelief in external control, and any evidence of successful resistance would establish such belief as right in action.

One of the ideas which may be observed to operate as in paragraph (1) above is the idea that in the absence of humanly applied force (police, army, deprivation of livelihood, the establishment and maintainence of " inspiring " conditions—*i.e.*, hard conditions (Smuts) and the provision of DISTANT desirable objectives (Smuts) the " Race " would degenerate, die out, soften and decay. Thus Graham Kerr (Prof. J. Graham Kerr, M.P., F.R.S., " Evolution ") has pictured Civilization as a self-exterminating mechanism : anti-biological in its nature. Hence SOME men intervene to keep Nature straight in dealing with ALL men. We may stigmatise the view as lacking in naturalism or in piety ; but what we have to do is at all events to notice it as evidence of the belief of some individuals that they have power.

Beginning at the " point of impact ", then, what we find is that we have not to fly the expansive distances which the philosophers travel before we come to data which at least have a bearing on the size of the fraction :

$$\frac{\text{Consumption of goods and services.}}{\text{Potential goods and services.}}$$

Behind the billiard ball there is the cue, and behind the cue the player. The result of a game of billiards is a statement of the successive movements of the balls. It is a score, and says nothing about the players, the cues or the tables. So the fraction we are studying is a score : an account of the stream of human impacts. It says nothing about the system, and nothing about the players. If we studied the history and manufacture of billiard cues, of green cloth, or if we studied the factors concerned in the inheritance of a high degree of mechanical aptitude, we might still have to begin at the beginning in order to learn to play billiards.

In regard to the requisite materials for continuous growth, trees might grow much higher than they actually do grow. Many trees reach a height at which the surface they offer to the pressure of the wind is greater than the cross section of their trunks will stand. They fall. Mechanical factors control the height of trees.

A billiard score and the height of the highest trees are practical matters, and so is the realisation of the Social Credit a practical matter.

What have those who have used our method with the greatest effect to say about all these?

That things (causes) are not to be multiplied beyond what is necessary.

Proceeding from the actual impact between intention and resistance, step by step, one may find an alterable element here or there. *The first* alterable element is the one to seize upon. If the intention of an infant (disclosed by its actions) is to obtain food, the proper thing to do is to feed it. An infant who dies of starvation does not die of *Zeitgeist*, or because of ideas, or from Predestination. It dies from lack of food. A mother unable to buy food offered for sale fails because she has not the money. A husband unable to renew or increase his bank overdraft fails because the bank manager decides unfavourably to him. A government unable to carry out its expressed policy fails because its members defer to experts. If we are seeking extended knowledge of all these matters, we must, of course, examine the actions of individuals at every remove from the availability of wealth to the individual, and each instrument used. But our survey will probably reveal controllable factors long before we reach Allah, and will, in any case, not violate the principle that impact is always at a point. Alternatively, when we are obliged to trace the causes of action beyond the range of human responsibility we are in the sphere of that aspect of Reality with which man has to co-operate or die.

Action alone will establish the case, and the interpretation of the case as established will always be a matter of human judgment and perception. Nevertheless it lies within our province to observe the frequency with which effective causes for which natural authority is claimed require the assistance of human agents before they operate. The beam of the physical balance does not wait until an economist or a politician applies the laws of motion to it before it reacts to its conditions. Whenever economic law is invoked to explain social phenomena, what we actually observe is someone posting letters to convene a committee to decide whether the " law " shall be applied, when it shall begin to operate, what name it shall receive, who shall apply it and where.

Take two examples :

(1) " The War (1914-1918) gave great opportunity for the development of Medical Science, particularly in the application of scientific principles not hitherto applied, chiefly chemical and physical ". The statement suggests a " complex " of forces in society, *e.g.*, the liberating effects of a great upheaval (break-up of " old ideas ", fertilisation of the social terrain, *etc.*). As revealed by the Scientific Correspondent of the *Manchester Guardian*, a superfluity of trained chemists was demobilised, and because they were intelligent and purposeful individuals, something had to be done about their future. A political and press campaign was inaugurated chiefly concerned with the wonders of science. Chemical Physiology (undertaken by subordinate members of university staffs) became Bio-chemistry in the hands of new chiefs of departments, the results were advertised, the scheme flourished (as all scientific work must flourish if it is allowed to do so) and " Medical Science was revolutionised ". The War did not do this ; nor did the war prevent the doing of something else not yet done.

(2) The personal consequences of rearmament ; these are not the result of " inflation " or " deflation " ; they are the consequences of Acts of Parliament passed by M.Ps.

Whence do the controlling forces derive their power ? (By " their " power is meant the power actually displayed in the actions constituting control). The answer is : from all available sources, in proportion as those individuals who actually exercise control can establish an effective demand for these sources, or it may be effectively established on their behalf. In our society, effective demand is largely represented by money.

Since these Lectures were first instituted, the history of the Alberta Experiment has been written by Major Douglas. Students will gain more information concerning the resources of the controlling power from that book than from any other examples which might be cited.

XI

The existence of an " Art " or " Arts " of Government is in itself a recognition of the claim that some or all individuals may exert a measure of control over the use and development of human associations.

The Arts of Government are known to and practised by some *individuals* : that is to say, they are not known to and practised by " Allah " or " Fate " or " *Die Gestalt* ". The Art of Government includes the Arts of Government, and may be defined as the means whereby all the members of a community (in the result) are constrained to accept an objective entertained by less than the whole number.

Doubtless briefer though less detached definitions might be and are formulated.

The word " objective " calls for examination. It illustrates a dilemma which has frequently shown itself in the development of the natural sciences. It is all very well to say " 10 lbs " ; but what is a pound?. Remember that we are chiefly interested in the power of human beings to produce intended results, and in the first lecture we dismissed the closing phrase of the definition " in terms of their satisfaction " with a brief indication that this was merely the standard of measurement to be adopted. We thus asserted, by implication, the measurability of objectives, and stated the term of measurement. Satisfaction, as we have shown in Lecture IX, can only be truly revealed if there is a sufficiency of freedom (Douglas : " freedom to choose one thing at a time "). If there is this degree of freedom, satisfaction can be measured and expressed as a fraction, the numerator of which is the number of people who reveal by their actions (cessation of demand) that their needs are satisfied, and the denominator the total number of people concerned. We need not, therefore, be concerned with any difference between what people think they are about to get and what they actually do get. These are two totally different meanings of " objective ". The true or real objective is satisfaction.

The Art of Government, therefore, is an art exerted to falsify the Social Credit—to substitute a false standard of satisfaction for a real standard ; to represent the objective as being attained when it is not, in fact, attained : to deflect the aim of individuals in their attempts to reach their objective : to alienate policy from individuals : to tyrannise—all these paraphrases are useful, and doubtless many others. The aim of government is control of policy, and the Art of Government is chiefly concerned with the development of skill (exerted by individuals) in the control of policy. In a true democracy this skill would be developed and devoted solely to the end of securing that the real objective of association was correctly expressed (not necessarily in words or formulæ : better still in *fact : factum* = the thing done).

It is important to observe that skill of the kind described, like all knowledge of how to do things, contains a large element of cultural heritage.

Thus we find that those individuals in the community who may be given opportunity of displaying skill in the Arts of Government are so trained that they may develop skill and use it to the greatest advantage with the minimum of trouble to themselves. It is even more widely recognised that a requirement of successful government is the evocation of a minimum of conscious resistance in the governed.

It has already been stated (Lecture X) that the resources in regard to power available to those who control the progress made towards the attainment of any given policy are all those resources available to effective demand. The ability to develop inventions to assist in the special technique of government is only one of them.

Observe that the evocation of a minimum of conscious resistance implies that the Art of Government should be, as far as possible, an art which conceals art : if it were concealed from the governor as well as the governed, both would be influenced by the conviction that they were largely the passive instrument of action and reaction. On one hand Art plus action would be opposed to Reaction without art. Since the Art of Government has exercised the ingenuity of rulers throughout history, we should expect a detailed understanding of it to be hard to acquire. Modern society reveals the volume of effective knowledge in THE RESULT : namely, an association in which the associators (individuals) do not effectively determine policy : at least the acquisition of a sufficiency of freedom is a pre-requisite to their doing so. What cannot be shown to be done, cannot rightly be said to be done.

While the field is one of the greatest importance to students of Social Credit, it must be emphasised that it is a dangerous field to potter in. If the objective method of induction is applied to its problems, it must be applied rigorously. Our remark concerning the evocation of a minimum of conscious resistance is alone sufficient to suggest that the associations we may light upon are capable of generating emotion. Responsibility undertaken unsuccessfully for the attainment of an objective is likely to be confused with culpability. It is within the province of students of Social Credit to assess the objective effect of moral qualities in increasing or diminishing the Social Credit : but such an estimation implies, again, a sufficiency of freedom.

The following expressions used in praise of a deceased British Statesman by another will show that statesmen are not condemnatory of each other concerning the exercise of a high degree of skill in the Art of Government. He was :—

> Completely disinterested,
> Perfectly loyal,
> Sincere above everything,

Sympathetic,
Attentive,
Courteous,
Understanding,
Respected,
Self-sacrificing,
Generous to a fault,
Fair,
Determined,
Influential,
In his company nothing unworthy in public life could live.
He was courageous and upright. To be asked to speak about
him was a treasured privilege.

Admitting that some of these terms are arbitrary, and that all of them are by no means exhaustive of the qualities which may find effective expression in any individual's actions, it is clearly useless to look for the source of social conflicts to the *qualities of esteemed individuals.* But the objective method is not easy of application, without, as has been suggested, engaging the emotions of at least some individuals. Every effort should be made by the student to connect results with apparent associations at every stage. It is necessary to avoid cynicism, and the appearance of cynicism, more than the thing itself (which is rare in all true students) if it is the object of the individual to increase rather than to diminish Social Credit. Niccole Machiavelli's "The Prince" is relatively unpopular in governmental circles, not because its indications have been surpassed by modern technique, but because of its satirical effect, which is repugnant to those who are themselves conscious of trickery in their dealings with others. We must bear in mind, too, that an *objective* grasp of any considerable field of events may be within the capacity of relatively few people. The division of labour applies; and as each individual becomes more and more proficient in performing a part of the total process, the other parts, and even the finished product, may be increasingly strange to him. Politicians themselves sometimes foster the tendency to cynicism, perhaps purposely (*e.g.*, Sir Josiah [later Lord] Stamp's assertion to the effect that the resources of modern psychology suffice to induce people to LIKE higher taxation); but, broadly, any inducement to depart from the objective method operates to deflect the aim of a serious study such as our own.

Let us study an example :—

Let us assume that the objective (to be ascertained in an environment affording a sufficiency of freedom for its ascertainment) of the practice of medicine is the maximum provision of health to the individual. Certain insurance companies popularise this idea, omitting the last three words. (Enlightened public policy). The process costs money (generosity). A statistical investigation is made of the incidence of disease. (Scientific). Clinics are established and endowed (Good

business). Research is promoted into the causation and treatment of seven (7) ailments. (Public spirited). The clinics are financed out of premiums. (Equitable distribution of cost and increased popularity of insurance). (Note: This is also "nationalisation" on a small scale). Nationalisation on a large scale advocated by Insurance Companies and adopted, the doctors being divided, but on the whole favourable to the scheme, since their incomes are falling and salaried security is better than high-fee-ed insecurity. (Political question). *Results:* (1) increased control. (2) Diminished personal freedom. (3) Economy in the use of money. (4) Higher actuarial certainty concerning insurance. (5) Reduced mortality in certain disease groups and increase in the average length of life. (6) Doctors complain *publicly* about loss of professional freedom (freedom of individual doctors to treat and to investigate disease) and privately about loss of income. (7) Someone counters with a public demonstration of loss of professional income and gain to the public through reduced mortality. NOTE THAT THE INDIVIDUAL MUST NOW BE CAREFUL TO SUFFER FROM THE "RIGHT DISEASE" IF HE WISHES TO BENEFIT FROM MEDICAL ADVANCES, and a *substitution of objectives has brought this about.* There has been

ADVANCE TOWARDS A MAXIMUM OF "HEALTH",
but not
ADVANCE TOWARDS A MAXIMUM OF "HEALTH"
TO THE *INDIVIDUAL.*

Presumably this is not the policy of the individual member of the community, who nevertheless has to contribute his quota of cost (Financial). Nevertheless, let us suppose there is an electoral majority for the policy, indeed the popularity of the "Health Service" plank in the platform of the party returned secures at the same time endorsement of other policies of an even more far-reaching character. The steps enumerated above might be assisted by all the political parties. In so far as they have been taken they are not yet complete.*

Certainly we may write down "Substitution of policy" as an important *art of government*, however this substitution may be effected. ("Carrier" policies—*i.e.*, "popular" but unimportant policy "a" with unnoticed policy "A" on its back—are a *method* of substitution.)

The illustration reveals a substitution of another kind namely, substitution of MEANS for ENDS—in the demand arising directly or indirectly from the public for (in order in time) the return to power of a party, and the introduction of a "measure" (incompletely available for study and incompletely studied) which is not itself the objective to be gained.

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*The editor cannot forbear to remind the student that the passage, which epitomises the present (1946) manœuvres all over the world for a "State Medical Service" and *control of certification* of patients, was written in 1936.

The second art here shown, then, is the art of

SUBSTITUTING MEANS FOR ENDS.

Still another substitution in the example is the substitution of a *morally defensible objective* for one *morally suspect*, namely, resistance to the inroads of "rapacious anti-social medical men" for the associating individuals' advantage.

We are not strictly concerned with the question *why* these substitutions are effected, although it is of importance to know *where* they are effected. In regard to the first question, each substitution which is successfully carried out increases the efficiency of government, and it may broadly be said to be related to the belief current in the community that government is a necessity, each particular instance of government being accepted for lack of a better. The belief itself is derived from ideal philosophy. The Greeks were wont to refer to the simple, happy life of people at the dawn of civilisation, "when men were not worn by toil, and war and disease were unknown" as the "Golden Age". Recent enquiry does not entirely support the view that the existence of such an age was mythical, and in any case the proper handling of combative traits, if they are inherent in the human community, is at once a problem affecting the Social Credit and one for solution in an environment affording a sufficiency of freedom for its *right* solution.

Many subordinate arts, involving the use of psychological knowledge, particularly knowledge concerning the tendencies towards particular kinds of behaviour on the part of people either as individuals or in groups, are practised in support of the major governmental arts. All of them are *favoured by possession of effective demand for means of practising them.* The last great Art of Government to be mentioned here, therefore, is the Art of conserving effective demand for means. This, as the individual may test for himself, consists in the possession of MONEY.

XII

> ". . . . without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and convenience of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents". . . .
>
> ADAM SMITH (Wealth of Nations).

There is no need to comment upon this passage, although the last clause conceals the assumption that specialisation of individual aptitude can ONLY—"alone give occasion"—be made possible through division of labour and the resulting exchange of commodities. Adam Smith did not envisage the possibility of increased leisure as a consequence of the introduction of power-driven machinery. Aptitude is made fruitful in facility and skill by practice, regardless of the economic conditions in which the facility and skill are exercised. An artist (or a surgeon) is not more skilful BECAUSE he is not permitted to consume goods without an initial demonstration of his skill. The permission can be dissociated from the condition. Then skill would be developed (by practice) in some other condition. The only NECESSARY condition is *practice associated with aptitude and opportunity.* An artist with a sufficient income not derived from the practice of his art *could* develop skill in painting without trading his pictures for boots and ham sandwiches. It may be that Adam Smith thought that only the inducement of economic necessity sufficed to make the acquisition of skill desirable to the individual who acquired it. The universal interest in play contradicts this. The luxurious people who invented the hammock were not above decorating it or themselves. (A very idle West Indian people whose sole known contribution to the arts is this invention).

Compare—C.H.D.

"There is absolutely no concrete difference between work and play unless it be in favour of the former. No one would contend that it is inherently more interesting or pleasurable to endeavour to place a small ball in an inadequate hole with inappropriate instruments, than to assist in the construction of a Quebec Bridge, or the harnessing of Niagara."

Adam Smith recognised barter as a consequence of functional specialisation in production, and asserted that *variety* of talents could only arise from the division of labour and the consequent exchange of goods. Several creatures besides Man have established conditions in which leisure is possible without division of labour (apart from sexual division of labour). They lack Man's cultural heritage and his power to make use of it. The physical requirements of variety of aptitude and skill are :—

(1) Mental and muscular variability.

(2) Variability of motive (which the cultural heritage provides lavishly.

(3) TIME.

PHYSICALLY, a man COULD (whether he would or not) provide for his own needs and his family's and still have TIME to discover in himself some special aptitude and to develop skill in the use of it. The identification of some natural means of labour-saving and the application of it would increase this time as well as providing new opportunities for its use. If such an individual were free from arbitrary control he might choose one interest before another, or choose not to exert himself unnecessarily. Those who at present are planning "work for all" envisage a mode of association in which the use to which these physical possibilities are put (with great resources of non-human power available) is subject to regulation (*i.e.* control by someone in accordance with some ideal standard).

For us, as students of Social Credit, the natural effects of exchange are what we have to examine in the first place. Aptitude and skill are not direct consequences of trade. By favouring the life and reproduction of particularly "economical" men, trading customs may tend to standardise men, may inhibit the appearance of new aptitudes among them, may inhibit the development of aptitudes which exist or may appear, or they may promote natural circumstances in which new aptitudes appear or are developed. (Follow this illustration to its conclusion :—Biologically regarded, every individual is the product of the union of two germ cells—that is to say, two particular individual germ cells, which can arise ONLY in particular individuals and in them probably, only once. This is only to say, besides giving a technical explanation of the fact, that every individual is *individualised* and is in some respect or respects different from all other individuals. Even "identical" twins differ from each other. It follows that all the descendants of a particular union (of germ cells, not only of individuals) are different from all the descendants of another union. Any circumstances, therefore, which, tending to act uniformly, alter the movements and frustrate the actions of individuals—*e.g.*, the movements of men about the country in search of work—will tend to substitute a population composed of one set of individuals for a population composed of another set. If the Income Tax had been five shillings in the pound in 1831, it is unlikely that any Englishman now living in England would be living at all : the population of 1937 would consist of other individuals, perhaps with the same or similar general features as the present population, perhaps not. While there is some evidence for the persistence of particular racial qualities, even in environments which tend to render them ineffective, and even when masked under exceptional external features (*e.g.*, domestic breeds of dogs), the cumulative effect of apparently small matters increasing or diminishing the hardship of men's lives, absorbing their energies and affecting their interests, is by no means negligible. Evidence does not suffice, however, to assess its value.

We must confine our attention then, for the present, to the direct consequences of a particular custom,—barter—*i.e.*, the inescapable, natural consequences, remembering that the *effect* upon individuals of such consequences is not necessarily incapable of correction or adjustment, if the appropriate associations are established to secure this end.

(1) Since exchange of goods is superfluous unless the bartering individual has excess of the commodity bartered, the first necessity of barter is the existence of more than one individual in possession collectively of more than one commodity, and these commodities must be in excess of the need of their possessors to consume them or to use them.

e.g.—A prehistoric hunter has an assortment of flint arrowheads which he has made, but no food. Another has broken his last weapon in killing an animal for food. Arrowheads are bartered for meat.

The example is worthy of analysis, and provides information along several lines :—

(*a*) The division of labour (production of capital goods and production and consumption of goods) develops its characteristic increment of association in increased production and enhanced skill in both killing and flint-chipping. It is also time-saving.

(*b*) Cave bears and flints are not found together, nor is the environment of flint-chipping the best suited to successful hunting : flint-chipping was a localised industry. Distance factors enter ; food must be carried to the flint-chipper and flints to the hunter. Physically, carrying (transport) entails work (consumption of energy-liberating substances) and lapse of time.

(*c*) The real cost of food plus arrowheads *plus* transport is a part or the whole of the food, the arrowheads being capital goods. The transport is service and possibly capital goods as well, if these goods are only a bag for the arrowheads. This statement holds, even if, let us say, the flint-chipper and the hunter shared the labour of transportation.

What natural circumstances govern the RATE OF EXCHANGE? *i.e.*, the exchange of flints for food ? Broadly we may say POLICY *not equity*, for notions of equity could only be supported by arguments drawn from policy. Assuming that the individuals associate voluntarily and that their policy (objective) is that consumable goods should be forthcoming with the minimum of trouble to themselves, the OPTIMUM rate of exchange, food for flints, is that rate (which may well vary from time to time) which is related to the highest yield from their association.

Note that strictly speaking every exchange of goods that is effected is unique, and that while in a complex society many exchanges can sometimes be repeated at the same rate, this uniformity arises from their acceptability in the circumstances in which they are offered.

Suppose now that instead of effecting the exchange of food for flints directly an acknowledgment of indebtedness is handed to the hunter for flints and to the flint-chipper for food, a set of instruments would have been created entitling someone to food and flints to the amount stated, and it is not until the explicit nature of the demand on the face of each certificate is merged in a single "unit" that any confusion arises. This "unit" is in itself fictitious. It is MONEY, which has been defined by Professor Walker in his *Money, Trade and Industry* as "any medium which has reached such a degree of acceptability that no matter what it is made of, and no matter why people want it, no one will refuse it in exchange for his product".

Consider, in the place of the food and flints of pre-history, a more extended list of exchangeable commodities to the number, say, of ten; it is reasonable to suppose that these may be exchanged on the basis that the individual accepting one of them, at an agreed rate, may have done so in the expectation that he will more readily be able to provide himself with a commodity which he desires to consume by exchanging it than he could have done by exchanging his original possession. And the like may be true of other traders, so that some time elapses before all the commodities have reached the individual who desires to consume them. Note that here each commodity is accepted in consideration of the expectation of the recipient concerning what he may get by exchanging it and as the process of exchanging proceeds, so individual estimations act to restore the first commodity to be offered for exchange to its original owner for less than he received for it in the first place. This result is not peculiar, then, to the use of money. Note, however, that such "gains" do not alter the quantity of commodities in existence. Only production of fresh goods or consumption of existing goods can do this.

Barter is concerned with the distribution of goods, and any increment of association arising from it must be distinguished from the increments arising from other associations which are associated with its practice. An increase in the *variety* of products accessible to the individual arises from the practice of exchanging products.

We have already stated that the rate of exchange is related to policy. Exchange effects distribution, and if money is used to expedite these exchanges, its use is related to policy in the same way as the exchanges. Its function is to distribute goods. A large part of Douglas's published work is taken up by demonstrations of this point. The student should read "Social Credit", pp. 130-1 and pp. 61, 62 and 63: "Warning Democracy", pp. 15, 128-9, 133: "The Control and Distribution of Production", pp. 9-10: "These Present Discontents and the Labour Party", pp. 8-9: "Economic Democracy", p. 28, and "The Monopoly of Credit", p. 23. Passages from the pages cited are as follows:—

SOCIAL CREDIT, pp. 130-1.

"There is extant in the world a common if somewhat nebulous idea that whoever, for instance, grows a ton of potatoes grows thereby in some mysterious way the purchasing power equivalent to a ton of potatoes . . . If I grow a ton of potatoes and exchange those potatoes for five currency notes of one pound each, held at the moment by my neighbour next door, all that has happened is that I have five pounds which he had before. My ton of potatoes has not increased the number of pounds, although it *may* have, but probably has not, increased the purchasing power of each pound. If we imagine this five pounds to be the only five pounds in existence, and money to be the only effective demand for goods, no one will be able to exchange any goods until I part with, at any rate, a portion of my five pounds."

pp. 61-63.

"Reams of paper and many valuable years have been expended endeavouring to define and standardise this thing called "Value", and with it the methods of relating goods and services to the standard when obtained. The line of thought which is usually followed is something after this fashion: "Money is a standard or measure of value. The first requisite of a standard or measure is that it shall be invariable. The money system is not giving satisfaction, money is not invariable, therefore the problem is to standardise the unit of money." As a consequence of this line of argument, a dazed world is confronted with proposals for compensated dollars varying from time to time in the amount of gold they contain in accordance with the price index, or even with card money out of which holes are punched to represent its adjustment to the physical realities of economics. Nor is the misdirection of thought confined to professional economists. Almost the first idea which seems to present itself to physical scientists whose attention is directed to this problem is in the nature of a search for some adaptation to finance of the centimetre-gramme-second system of units. Yet perhaps the most important fundamental idea which can be conveyed at this time, in regard to the money problem—an idea on the validity of which certainly stands or falls anything I have to say on the subject—*is that it is not a problem of value-measurement.* The proper function *of a money system is to furnish the information necessary to direct the production and distribution of goods and services.* It is, or should be, an "order" system, not a "reward" system. It is essentially a mechanism of administration, subservient to policy, and it is because it is superior to all other mechanisms of administration that the money control of the world is so immensely important . . . It is every whit as sensible to argue that because there may only happen to be one hundred tickets from London to Edinburgh in existence, therefore no more than one hundred passengers may travel, as it is to argue that because the units of money happen at the moment to be insufficient (whether they are "invariable" or not), therefore desirable things cannot be done, irrespective of the presence of the men and the materials necessary to do them. The argument only assumes validity if a deficiency of tickets is a reflection of a real deficiency in transport and not *vice versa.*"

SOCIAL CREDIT, p. 60.

"There are few people who would claim that the money systems of the world are perfect, and the number of such persons is decreasing daily. But when asked to define the various defects in the money system, it is remarkable to notice with what monotonous regularity these ideas of "justice" and "value" are paraded. It is claimed that money is defective because it is not an accurate measure of value, or that it results in an unjust "reward"