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THE MORAL ECONOMY

Fables and parables don't bear too much scrutiny, as a rule, but if Geoff Dench is to be believed, the story of The Frog and The Prince is an exception. Indeed, he devotes a heavily argued book to the subject, seeing it as commentary upon the ageless clash of the sexes. That is to put it crudely. His analysis is both credible and cogent and far from the shallow vapourings he has to accommodate from the feminist movement in the process of making his point.

His proposition is that feminism does not understand men hence defeats its purpose and contributes in great measure to our present social and economic maladies.

In sending this treatise for review, Neanderthal Books of 18 Victoria Park Square, London E2 9PF is highly percipient. Of what interest could this be to *The Social Crediter,* one might well ask. Having gone into it thoroughly, this writer can aver the publishers know what they are about. This book, *The Frog – The Prince – and The Problem of Men,* is utterly relevant to our cause. Priced at £12.95, postage and packing free within the UK, it is worth the outlay. Geoff Dench is a sociologist new to family and gender, having specialised for many years in ethnic relations. He brings a refreshing new broom to the nooks and crannies of a dusty old lobby.

Feminism, he contends, makes a fundamental error in refusing to see that men's attachment to society is more tenuous and artificial than women's – mainly because of the child-bearing factor. The heart of community is shared motherhood... women's need to share the task makes them amenable to group rules and demands, thus creating society itself. Men have much less incentive to pool resources. They are selfish, individualistic and competitive by nature and have to be enticed into loving their neighbour. They need reward for good behaviour – in fact, flattery and a sense of importance beyond reality work wonders.

Patriarchy, then, is a way of motivating men rather than a system for dominating the women. It gives them a feeling of responsibility and so closer to the female norm of care and co-operation. Patriarchy emerges as a discreet means of civilising the inherent brute that is man.

An emphasis upon equality today actually results in more inequality – *vive la difference!* Dench, currently visiting professor and Head of the Centre for Community Studies at Middlesex University, argues: if the main breadwinner role is not reserved for men, enabling them to be family providers, most will not learn altruism and civic concern. Feminism, he alleges, is spawning a culture of feckless frogs.

Briefly, the story tells how a young princess ventures beyond the palace walls into the forest where she loses her golden ball down a well. As she weeps over its disappearance, a frog appears and offers to retrieve it. All he asks is that she be his friend. It seems a small enough price to pay and the ball is duly returned. Back at the palace, the princess is embarrassed to find the frog seeking his reward. Her father, the King, insists she should make good her promise. Thus the frog gets his feet under the table. As the relationship grows, sealed with a kiss, the frog turns into a prince. It turns out this was his true state and he had been under the spell of an evil witch. So she had delivered him and got herself a husband of her own kind. She is last heard of happily transported by golden coach to his own castle.

In Dench's eyes, we are viewing allusion to 'the moral economy' – the system and rules of reciprocity underlying a network of exchanges within a community.

"Reciprocity" he says "is an elaboration of self-interest." Women are more aware – because they are more needful – of "a framework of personalised obligations to provide some care for the weak and vulnerable – the old as well as infants" now or later.

This leads to imbalance" Mothers are directly important to children in a variety of ways; so unless men are **more** important as economic providers than their partners then there is little scope for them to feel genuinely responsible."

The current attack on patriarchal conventions, he goes on, is surely promoting a plague of feckless yobs, "who leave all the real work to women and gravitate towards the margins of society where males naturally hang around unless culture gives them a reason to do otherwise. The family may be a myth, but it is a myth that works to make many men tolerably useful."

Women in direct competition for jobs with men cause some men to work harder at retaining pole position, to the jeopardy of health and neglect of hearth. They prize a good job more than a good wife. The majority who fail to beat fellow-males in this rat-race, or don't even try, have lost all hope. No job means no self-respect, no purpose and no woman to keep since there is nothing to keep her with. Little wonder they drop out and aim to eat, live and be merry for today they are dead. As Dench tartly points out: "Neither response swells the ranks of equally sharing partners."

However a man may actually earn his bread, the social value lies in the channelling of labour to those who need it, i.e. dependants of one sort or another. In short, a man is no man without a dependant.

Feminists, however, have too often tended to advocate dependence on the state as a surrogate provider. Dench observes: "This trend is unlikely to be sustainable for long because by reducing reliance on personal provision, it undermines **men's**

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will to work, which weakens the state's fiscal base at the very time that single mothers are placing an increasing burden on it."

The woman's side is rather different. Dench accepts state support – "for a working-class woman, where the alternatives are menial, low-paid work or dependence on a low-paid man who would expect services to himself as well, it represents a lifeline to autonomy and peace of mind."

The biggest problem with public dependency of women and children is: "it stimulates a further rise in the number of male drones in society, many of whom become dependants of the state themselves, instead of contributors."

Dench believes that men need individual caring for women and children – doing it collectively via the tax system only leads to men's "liberation". Pay differentials between the sexes originally took in the concept of the "family wage" which implicitly covered 'the moral economy'.

"To the extent that women, and their caring work, are moving into the market itself, and expect equal treatment there, wage levels are bound to be sinking, because the family wage is effectively being broken up into its individual components. The growing dependency of families on multiple pay packets marks a beginning of this process of adjustment... even where men are main earners, then it is re-inforcing massively the slide towards male fecklessness."

Dench's favourite allegory shows that "life in a community is about give and take; and this is regulated by its moral economy which rewards giving with status and respect and legitimate return call on other people. As a child, it is permissible just to receive, and be supported by others. But it is not possible to become a full adult until one has become committed to giving, and has some long-term dependants."

To be blunt: "The metaphor of the frog as a slimy, selfish, amoral, lazy and libidinous creature, capable of blithely devouring its own offspring, has become flesh in the contemporary yob. Many now belong body and soul to the atomistic, individualistic jungle, where the most typically male experiences are to be found, the crucible of egoistic masculinity. The curse is upon them."

However: "Acceptance by a woman will turn them into little princes, from yob to nob at a stroke. Surely worth sacrificing some freedom for."

The implication goes wider: "The frog, or knight, is free to wander following his fancy, and needs to recognise no frontiers. But a prince belongs to the land and his subjects. They will only honour him so long as he serves them. No authority without responsibility."

Of course, a frog could do a lot of good as a freelance; it is only when he becomes a prince that he is circumscribed by priorities:

"A political activist who at first just drags his infants along on protest marches and demos may eventually realise that they have problems at their school which need some principled input... A kingdom which does not protect its own people and interests will not be very effective in supporting any values at all; so it is essential to put the realm first sometimes."

Marriage is the castle and lands of the king, a king who has to be seen as such though "Some amount of male supporting is a necessary ingredient of the relationship. This is the central argument of this book; and it is a very rare man who does not like the idea of helping a woman out. The damsel in distress is a most powerful image, very flattering to a man, almost erotic – and where women are not prepared to play along with it to some degree, marriage may not materialise."

The underlying theme of marriage, then, is reconciliation – what is normally known as give-and-take. It is not compromise nor is it agreement. It is a reconciliation of different thinking and gender experience. Yet it is evident that a successful marriage does not exist outside of restraints shared – circumstance, economic and political. Reaction in the male may be cerebral and useless, in the female 'over-the-top' and frustrated. Tensions in the community may not – dare not – be left on the doorstep. It is this to which Social Credit can address itself. As Dr Tudor Jones, late chairman of The Social Credit Secretariat, put it in London in 1953:

"Social Credit in its most technical aspect is a preferred solution of a problem of Opposites, and its rejection by our generation is, therefore, in some way connected with the psychology of all such rejections... What we are contesting above everything else is the Promethean (or the Epimethean) attitude to life itself... And, last but not least, there is the peculiar antithesis between the dualist and monist, 'Old Testament' idea on the one hand and the trinitarian conception on the other."

Tudor Jones explained one version of the legend of Prometheus, a Titan who stole fire from heaven and passed it on to man as a gift – incurring the wrath of the gods for this misuse of credit and credit-power. The punishment would be itself a gift – the first woman, Pandora and her box. Prometheus (forethought) declined Pandora but Epithemeus (afterthought) accepted. The psychologist Jung saw them as originally one and sought reconciliation of the two, extrovert and introvert. Tudor Jones inclined to another reading:

"The broad distinction between the **prolific** and the **devouring,** the fruitful who brings forth out of himself and the man who swallows up and takes into himself, into which two classes the English mystic William Blake divided all men, stands. 'Religion is an endeavour to reconcile the two'. So is Social Credit."

Tudor Jones had his own angle: "There is in us all a superior and an inferior capacity to function. Our society is disintegrating. Social Credit is the only thing which could integrate it. If it were so integrated it would assume a new and strange appearance which is **rationally** feared and resisted... The Promethean spirit inspires men to over-reach themselves. But everyone has a natural reach of his own."

The interplay of politics, economics and domesticity is unavoidable and the natural laws of Social Credit can be adapted from the harsh realities of the workplace to the strains of home and the temptations of people to place emphasis on self-preservation.

This will be pursued in a second instalment of this consideration of *The Frog, The Prince & The Problem of Men* in a future issue.

Iain McGregor

RECOMMENDED READING

Douglas, C. H.	The Development of World Dominion.
	Economic Democracy.
	The Monopoly of Credit.
	The Policy of a Philosophy.
	Social Credit.
Maré, Eric de	A Matter of Life or Debt.
Monahan, Bryan W.	Why I am a Social Crediter.
Robertson, Thomas	Human Ecology.
Social Credit Secretariat	Elements of Social Credit.

MAJOR DOUGLAS' PROPOSALS FOR A NATIONAL DIVIDEND

A Logical Successor to the Wage

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In the standard paradigm of orthodox economics, resource endowments determine personal wealth and personal income distribution. These endowments are taken as "given" exogenous variables, at least to economists. Consequently, remedies for inequalities in the distribution of wealth and income fall largely outside the purview of the positive science of neoclassical economics and can only be justified on normative non-economic grounds. The "new economics" introduced by Major C. H. Douglas in the years immediately following the First World War predicted both an exponential growth in production arising from technological change and an increase in inequality due to unemployment following the introduction of labour-saving technologies. Douglas additionally forecast a futile search for new forms of employment if income distribution continued to derive primarily from the use of productive resources and if an economy based on the profit motive prevented technical progress from creating an age of leisure (Douglas, 1919; 1920; 1922; 1924).

To counter this scenario, he designed proposals which attempted to place every citizen on a level economic playing field. They derived from the view that all social production originates in a common cultural inheritance of past invention, with present individual effort playing a secondary role. The concept of providing citizens with freedom to select employment and consumption patterns according to non-market criteria, i.e. to turn economic theory into a tool rather than a dictator of policy, was well ahead of its time. Although dependence on a single form of paid employment as an income source throughout adult life has been the exception rather than the rule (most particularly for women), the assumption that provision need only be made for temporary and exceptional interruptions in earning capacities underlies welfare state provision based on the Beveridge Report. Reliance on a "portfolio of income streams" (Handy, 1993) has been the norm not only in pre- and post-industrial society but throughout the process of industrialization itself. From such a perspective the Douglas/"New Age" economics of the 1920s (as distinct from the Social Credit movement of the 1930s) offers imaginative insights into the current theory and practice of economic and social policy.

Three Approaches to Security of Personal Income

The Beveridge Plan

The Beveridge Plan was the culmination of measures to relieve temporarily occurring poverty due to transitional "flaws" in the economic system. From the Elizabethan Poor Laws through the National Insurance Act of 1911 to the measures advocated by Beveridge in 1942, the explicit assumption was that incomes are chiefly derived from employment. "Social security" denoted the provision of an income when earnings were interrupted through the "abnormal" conditions of unemployment, sickness, old age or widowhood.

Maintenance of full employment was regarded as central to the smooth functioning of a welfare state designed merely to compensate for infrequent "interruption or loss of earnings" (Beveridge, 1942, quoted in Parker, 1989, p.23). "Full employment"[1] was assumed to be full male employment, i.e. regular full-time work for men from 15 to 65, regarded as an achievable goal for all governments. Married women were usually assumed to be financially dependent on their husbands.

Although "Idleness" was listed as the last of the five evils, following "Want, Disease, Ignorance and Squalor" (Beveridge, 1942, p.6), the fear of encouraging "idleness" has haunted the provision of welfare benefits. The "dole" represented a transfer of income from those in employment through income tax and national insurance payments. It was normal to regard "paid work (as) the only work which concerns policy makers... (and as)... more valuable than unpaid work" (Robertson, 1993). Means-tested benefits designed to reinforce the paid-work dependency culture created the unemployment and poverty trap [2] which inhibit the unemployed and low-paid from taking casual and part-time employment and unpaid voluntary work. For the full-time employed the option to spend less time in paid employment in favour of unpaid caring or voluntary work or of greater leisure is rarely available (Hewitt, 1993).

Citizen's Income

The complexity of means-tested benefits, the expense of their administration and the harassment and insecurity faced by citizens when their circumstances necessitated making a claim gave rise to research into the feasibility of a Basic or Citizen's Income (CI))Jordan, 1987; Parker 1989; Purdy, 1993; Walter, 1989). By amalgamating all cash benefits and tax allowances and thereby reducing administrative costs of the present social security system, a non means-tested, non job-related income could be paid to each individual regardless of household circumstances. Such security of income offers potential for flexibility in work arrangements (e.g. part-time, career changes and interruptions, job-sharing) in line with changing economic circumstances. These proposals bear some superficial similarity to Douglas' National Dividend proposals in that the individual is the unit of assessment for a payment which does not alter with household, employment status or employment. However, payment of a CI of subsistence proportions would be necessary to remove the complexities and expense of means testing. Moreover, it would require an income tax rate of 70 per cent.

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Thus redistribution of income from the employed to the unemployed through a CI lacks political and economic feasibility.

National Dividend

National or Social Dividend schemes envisage a direct allocation of income by the State to all citizens. No transfer of wealth from those in employment to recipients is involved. Proposals of this type, made by Meade (1936, pp. 197, 250-1; 1989a) and implemented in Alaska (O'Brien and Olson, 1991) can be traced to the work of Douglas and A.R. Orage, the Guild Socialist editor of *The New Age*. Douglas was a prolific writer and campaigner. The Social Credit movement which arose from his work and spread throughout the English-speaking world in the two inter-war decades[3] aroused extensive debate in the quest for solutions to the economic depression of the time.

As an attempt to correct the imperfections of orthodox economic theory, Douglas' proposals were found wanting (Gaitskell, 1933; Hawtrey, 1937; Hawtrey and Douglas, 1933; Keynes, 1936). However, the body of work published between 1918 and 1924 in collaboration with Orage (Orage 1926) forms a coherent critique of the capitalist financial mechanisms which regulate production and distribution in a technologically advanced society. Douglas' proposals for a National Dividend form an integral part of a series of recommendations for the social control of credit[4].

The Douglas/"New Age" Critique

An engineer by profession, Douglas made four central observations on the workings of capitalist economies in the years immediately following the First World War (Douglas, 1919, 1921, 1922, 1924)[5]. Technological progress would reduce the availability of paid employment: financial mechanisms were designed to produce economic growth regardless of the equity of income distribution; the common cultural inheritance was the property of all citizens; and unearned income was, in principle, an acceptable form of income distribution.

Reduction in Availability of Paid Employment

Using Veblen's phrase, Douglas the engineer claimed that the "progress of the industrial arts" had already reduced the need for labour (Douglas, 1979, p. 49). Future improvements in technology would further diminish the time/energy units of labour required to meet basic need (Douglas, 1974, p. 103) and offer the option of increased leisure as an alternative to an ever-spiralling rate of production, consumption and destruction of the environment (Douglas, 1979, pp. 18-29; 1974, p. 91; 1931, pp. 78-9). The contemporary economy failed to provide this option. Production and distribution were conducted for profit. Labour-saving technology results in reduction in time/energy units of labour necessary to maintain a stable level of output. Alternatively, it could use the same number of time/energy units of labour to increase the volume of production. In the former instance the owners of capital reap the reward, and citizens who previously earned an income from labour find their incomes reduced or non-existent. In the second instance increased output occurs at the opportunity cost of greater leisure.

The citizen/worker who is dependent on paid employment for an income cannot opt for a static level of material consumption and a rise in "leisure" time. Without increased production the benefits of technological progress accrue to financial interests and the owners of capital. The "unemployed", in common with many workers, seek an income rather than "work" for its own sake and are reduced to a "servile wait" for a "servile job" (Orage, 1934, p. 22). Those who deplore the "dole" for exerting a demoralizing influence would be better employed examining the "financial jugglery" which places the recipient in a dependent situation. Objections to an unearned income for all were "moral" not economic (Douglas, 1979, Part III, ch. 2). "If the Machine does the work of one hundred men, its production is enough to pay one hundred men's wages. The Dividend is the logical successor to the Wage" (Orage, 1934, p. 11).

Economic Growth

Douglas observed that financial mechanisms determined the nature and quantity of production and the distribution of subsequent revenue (Douglas, 1921. Production was debt driven. The repayment of debt plus interest necessitated an increase in financial credit at an accelerating rate in order to distribute the proceeds of technical progress[6]. Financial speculation dictated a constant drive to economic growth, any increase in material production being deemed an increase in wealth regardless of its usefulness so long as money value was attached to it so that its production generated profits for the producer and financier[7]. Since money and financial structures were socially constructed, they could be brought under the control of the community as a whole.

The Common Cultural Heritage

Douglas drew a distinction between "financial credit" and "real credit". "Financial credit", which drives production and determines distribution, is generated by the banking system and is based on the probability of delivering money. "Real credit" represents the creative energy of society, and is the means, actual and potential, to produce goods. Potential real wealth is communal in origin. Without the Common Cultural Heritage of the accumulation of technological innovations, the myriad inventions of materials, machines and processes by past generations, there would be no wealth for individuals or groups to appropriate for their own use on the basis of their "ownership" of capital or labour. This heritage, plus the "unearned increment of association", constituted the "real credit" of the community and belonged to every citizen. The right to determine the extent, nature and distribution of future production should equally belong to all citizens. A small caucus who control financial institutions should not be the sole arbiters of future patterns of production and distribution (Douglas, 1974, pp. 83-5)[8].

The Acceptability of Unearned Income

An income from dividends without any work-test (i.e. past or present employment) was perceived as normal for owners of shares. Douglas demonstrated that, contrary to common perceptions, dividends did not necessarily derive from savings, i.e. consumption foregone (Douglas, 1979, p. 135). They were a claim by some citizens on a share in the wealth of the whole community arising out of paper transactions. Though the "dole" could be regarded as a precursor of a National Dividend for all, its form in constituting a burden of taxation on those in work made it politically unappealing, no more attractive than the payment of unearned income via dividends to a select few (Douglas, 1979, p. 111).

State payment to citizens of an income which did not derive from paid employment was established in principle in the UK before the First World War. The state Old Age Pension introduced by a Liberal government in 1906 was available to all, the limiting criteria for access being the age of the citizen. In subsequent decades other European nations adopted pension schemes on a similar basis.

Summary

The above four points constitute an argument for reappraising the status quo in respect of income distribution mechanisms and outcomes. Although the prevailing ethic endorses accepted practice, the latter does not arise from economic necessity. As technological innovation increases the scope for labour-saving technology, it renders labour-intensive production methods less frequent. Two possibilities arise. Profits continue to accrue to owners and financiers of capital-intensive projects regardless of employment levels. However, the threat of social unrest arising from the failure of the economy to provide income security for all citizens will necessitate both the pursuit of an escalation in economic growth and an increase in the maze of means-tested subsidies transferred through taxation of those in employment. Inefficient and unpopular "workfare" schemes[9] and a toleration of the black economy scarcely rank as viable long-term solutions. An alternative is the investigation of new methods of income distribution, based neither on work nor on redistributing the pay of those in employment. The starting point of such an investigation is a review of the notion that the products created by society belong to those owning labour or capital, i.e. a reappraisal of the whole process of wealth creation.

From National Debt Through National Asset to National Dividend

In the Douglas analysis ownership is not synonymous with control. Materials, land, labour and factories can lie idle despite the wishes of their owners if their products are not in effective demand. Control of effective demand resides in the financial system rather than in ownership of the factors of production (Orage, 1926; Douglas, 1921, pp. 51-2). The financial system is not a naturally occurring phenomenon to be studied from a respectful, objective distance. It is a human invention which can be brought under conscious human control.

In *Social Credit* Douglas provides an illustration. War would have come to an abrupt end in 1914 had the State accepted the financial reality that there was no money with which to fight. The purchase of weapons, munitions and army supplies required large sums of money which could not be recouped from the "public consumer" through current taxation. Douglas traced the series of paper transactions which transformed bank overdrafts into the National Debt. This creation of money (credit) was possible once the gold standard had been abandoned (Douglas, 1921, p. 204). "Owners" of the National Debt, which increased from *c*£660 million in August 1914 to *c*£7,700 million in December 1919, were paid interest at 4-6 per cent from the public exchequer by virtue of no material contribution to the war effort in terms of labour or foregone consumption. On the strength of tanks destroyed, munitions expended, supplies consumed and the general devastation of the war, owners of Government War Securities held a claim against future production which had no justification in their past or present contribution to the community (Douglas, 1979, p. 135). The loan "simply represents communal credit transferred to private account" (Douglas, 1974, pp. 119-24).

This saga demonstrated that political will can override financial constraints, i.e. economic operations are ultimately politically determined. Further, it established a precedent for the payment of dividends, a share of national wealth, to individuals whose contribution to the creation of that wealth was ephemeral. The National Debt is "clearly a distributing agent" (Douglas, 1974, p.121).

"To a financier a country is simply something on which to base a mortgage" (Douglas, 1924). And, "the inducement to subscribe to a loan consists in the interest paid on it". (Macmillan Report, 1931.) Douglas argued that "the State should lend, not borrow", and should use the returns on its loans to pay a dividend to all its citizens (Douglas, 1974, p. 121; 1979, pp. 149, 185).

In similar vein, though without specific reference to Douglas, Meade (1989; 1993) proposes a "Topsy Turvy Nationalization". He notes that nationalizations after the Second World War resulted in "the State becoming owner-manager but without the benefit of an increased income". As the previous owners of nationalized concerns were bought out and the National Debt increased, profits of nationalized concerns were bought out and the National Debt increased, profits disappeared in compensation. By redeeming the National Debt and converting it to a National Asset investing funds on the Stock Exchange, the State could secure the 'beneficial ownership of the income earned on certain capital assets without undertaking any responsibility for the management of the business concerns". Management would be left to the private sector.

Meade's *Agathotopia* proposals mirror Douglas in several respects and include a scheme for joint management of enterprise by "holders of Labour and Capital shares", which bears some similarity to "The Mining Scheme" outlined by Douglas and Orage (Douglas, 1920, Appendix). However, Meade more cautiously presupposes a greater degree of continuation of the status quo. He combines the dividends on the National Asset with payment of a Basic (transfer) Income. Although he recognizes that security of income would reduce "the unbridled urge for unlimited growth and unnecessary consumerism" and render more acceptable "some reduction in total national output as a price for an improvement in its distribution", the State's acquisition of a National Asset would be dependent on economic growth. In contrast, the necessity for a continual expansion in output is questioned throughout Douglas' early writings.

Moreover, Meade presupposes the inevitability of the imperfect human being, i.e. that greed and competition are, and will remain, the primary motivating factors behind human behaviour, the standard assumption of mainstream economics. Douglas' broader vision of the potential for freedom from the servility enforced by economic necessity is echoed by advocates of Citizen's Income (Robertson, 1993). Security of income contains the potential to reduce the primacy of self-interested "Economic Man" (Lutz and Lux, 1988) and to set the aspirations of white, Western middle-class males (Harding, 1986) within a less subjective socio-economic reality (Waller and Jennings, 1990).

Douglas and the Work Ethic

One major objection to payment of a secure, non-means-

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tested, non-employment-tested income to all citizens is its potential to undermine the work ethic. Douglas questioned the ability of existing financial structures to provide the option to work less in order to produce a sufficiency of material goods and enjoy more leisure. Given industrialization and the potential for infinite technological innovation which Douglas as an engineer foresaw, ample resources existed to provide for the needs of all citizens with a minimum of labour (Douglas, 1974, p.78). Douglas questioned the sense in, and the necessity for, engaging in employment primarily to acquire a money income to meet basic needs (Douglas, 1919). In this he anticipated Gorz (1989), Maslow (1970) and Soper (1981). Already the spectre of Taylorism, embraced by Ford and copied by Russian Communism, was extending the scope of wage drudgery (Douglas, 1974, p.49). Paid employment for its own sake was not ennobling, and no attempts to make it so, e.g. by the Arts and Crafts Movement, could disguise its servile nature. In Douglas' view professionals, including his own profession, find work intrinsically satisfying and do not engage in work *primarily* to secure an income. Hence *necessary* work will be undertaken without financial reward being the major motivation.

Douglas' perspective echoes Veblen's belief that pecuniary and predatory traits are the product of the capitalist system. Economically secure elements of the working class could be expected to develop traits of "clear, logical thinking, co-operation, mutual aid and general humanitarianism". The "instinct of workmanship" and the power of "idle curiosity" to produce technological innovation were suppressed by the capitalist system (Hunt, 1979, pp. 330-2). This rejection of the inherent disutility of labour, with its denial of the necessary centrality of financial reward, was among the factors which rendered Douglas' writing uncongenial to mainstream economists of the inter-war period. The Douglas approach, however, sheds new light on the rationale of employment as the dominant mode of income distribution.

Income distribution presently depends on the performance of *economically* necessary labour which is essential to the maintenance of *financial* profitability. Much of the essential maintenance of home and community, the provision of subsistence requirements, cleanliness and health care which underpin the financial economy is mainly, although not exclusively, performed by women for little or no financial reward (Henderson, 1991; Lewenhak, 1992). Essential labour may be well paid. Engineers, for example, may be amply rewarded in financial terms for designing a bridge which is necessary for the transport infrastructure. However, Douglas argued that high financial reward merely indicates high rating in its own terms. Although mainstream economists protest to the contrary, there is no necessary correlation between economic value and social value. Economic theory remains woefully inadequate in determining what is an acceptable allocation of resources and desirable degree of equality in distribution (Wilson, 1992).

A frequent objection to Douglas' economics is that he failed to comprehend the significance of freedom of choice. In orthodox terms, supply and demand determine the use of scarce resources. The highly skilled are perceived as being well paid because their skills are in short supply. Hence the conventional justification for vast differentials between the pay of teachers and nurses on the one hand and business school graduates on the other. There is no statistical evidence, however, to support the assertion that the **ratio** of suitable applicants to available places is lower in respect of business school applicants compared with nursing or teacher training. On the contrary, 6,000 applications were recently received for the 127 places on a Salmon Brothers' training course. "Pay cheques at Salmon Brothers spiralled higher in spite of others who would do the job for less" (Omerod, 1992).

Conclusion

The Douglas/Orage critique of capitalist finance as presented in the early 1920s is highly relevant to contemporary concerns. Selectivity and targeting of benefits inhibits participation in paid employment for recipients while placing an increasing burden of transfer payments in form of taxation and National Insurance contributions on employers and employees. Attempts to ameliorate the system may prove less fruitful than a radical restructuring in line with the Douglas/Orage analysis.

Notes

1. Defined as a national rate of employment at or below 3 per cent (Beveridge, 1942).
2. See Parker (1989) for a description of the operation of the unemployment and poverty traps.
3. Douglas' tours in these decades included Canada. Tokyo, Norway, the United States, South Africa, New Zealand, and Australia. Social Credit political parties were successful in Alberta and British Columbia in the 1930s (Macpherson, 1953; Finkel, 1989).
4. Termed "Social Credit" by proponents of Douglas' theories. This name was first used by Orage (Douglas, 1920, Appendix) and subsequently became the title of Douglas' fourth book.
5. Original dates of publication are given in the References section. Where possible page references are given in the text for more recent editions which are more generally available.
6. This was the substance of Douglas "A+B Theorem".
7. As early as 1918 Douglas was writing of the artificial stimulation of wants through advertising and the generation of planned obsolescence (Douglas, 1918).
8. Similarly Soper (1981, pp. 64-5) argues that financial structures determine patterns of production and distribution.
9. For a comparative description of workfare schemes, e.g. those proposed by Minford and Howell, see Parker (1989).

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EURO-CITIZEN

The European commission has offered an interim report on EU citizenship (COM(93)702). The paper, published on January 12, became available in this country a month later.

The Article on Citizenship had specified that the Commission would do a progress report before the end of 1993. As the European Union came into force on November 1 rather than January 1 1993, the present report has to be an interim one only, with a second report to be published before the end of 1994. However, certain main points can be discerned. It is also useful to remember that this report came out a month before the European Parliament's resolution on the Draft Constitution.

Citizenship of the Union is seen as being an absolutely vital part of the Treaty of European Union. It is "one of the most significant steps on the road to European integration".

(p. 1a) The aim is to create something referred to as "a people's Europe". In other words the relationship between the European Union and the individual "citizens" is to be a direct one, without the intercession of national governments. In the Commission's own words: "the Treaty has created a direct *political* link between the citizens of the Member States and the European Union such as never existed with the Community, with aim of of fostering a sense of identity with the union."

The importance of the concept of citizenship is shown by the fact that it was inserted before the "four freedoms" of the internal market. In other words, the position of Article 8 had been carefully considered.

The rest of the report is taken up with a discussion of the rights, thought not the duties which are merely mentioned of the citizen.

The Explanatory Statement that accompanies the Second Report on the Constitution of the European Union, which was passed by the European Parliament on February 10 makes similar points: the time has come to create institutions and structures that would enable the Union to have a direct link with individuals. (pp. 6 -17 of EP Session Documents A3-0064/94).

Helen Szamuely

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Editorial

"SUSTAINABLE PROSPERITY – CHALLENGE AND CHANGE"

~ A New Promotion by the Secretariat ~

There have been few Social Credit Secretariat publications in the years since C. H. Douglas died, primarily because his findings were still intact in print and were withstanding the test of time. However, in the surge toward the end of the century, language and thought processes have progressively changed and the means of communication have been revolutionized.

So too have the means of economic productivity, constantly enhancing the production of material wealth while simultaneously displacing human labour. Thus unemployment and overcapacity coexist as twin features of the economic paradox. The problems of poverty amidst plenty remain unresolved, are accentuated, and breed social unrest and disruption.

Economic orthodoxy, shackled by adherence to antisocial but unchallenged conventions of monetary practice, has proved incapable of resolving these mounting social and economic problem; while politicians of all persuasions still profess their commitment to the illusion of "full employment".

There are nevertheless encouraging signs of a growing ferment of challenge to orthodoxy, as witnessed by the significant article on Douglas' proposals which we reprint from the *International Journal of Social Economics.* The time is ripe for a re-presentation of the essence of Douglas in contemporary terms, of which the following is a summary:

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– Scientific Price (Details in
– National dividend (Booklet Three

Notes:

Recommended reading; Organisations promoting change.

BOOKLET THREE – MONEY

What is money? – evolution from barter to credit creation.

Bank creation of credit – authorities – money stock – legal tender and bank credit – bank credit over 90% of total stock.

Who controls money supply? – reserve requirements – open market operations – interest rates.

Government control limited – major influence of banking policy.

Impact of debt on national accounts and taxation – Economic Research Council Research Report 1981.

The wider implications – impact of debt on the economy; debt unavoidable feature of current system; gap between prices and incomes.

Bridging the gap – Reform of the Money System; Scientific Price; National Dividend.

References; Recommended reading; Organisations promoting change.

BOOKLET FOUR – REAL DEMOCRACY

In preparation.

We therefore urge the utmost support for this initiative through purchase and distribution of these booklets to selected recipients of receptive mind. An order form is available below.

Finally, where it may be possible, we also appeal for funds to finance and sustain this initiative. As with all Secretariat work, all services to its year-long preparation have been gladly undertaken voluntarily. Expense is always kept to the minimum but essential costs of production and distribution have to be met, and *"The Social Crediter"* continues to need subsidy. Donations to "The Social Credit Secretariat" will therefore be gratefully received and acknowledged by the Hon. Treasurer, John P. C. Dunlop, CA, 17 Randolph Crescent, Edinburgh EH3 7TT.

Donald Neale,
Chairman, The Social Credit Secretariat

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