

THE FIG TREE

Quarterly

Editor: C. H. Douglas
Associate Editor : Miles Hyatt

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CONTENTS

		Page
Self-Immolation	The Editor	723
The Second Reformation in Europe	Miles Hyatt	725
Alberta Leads	L. D. Byrne	735
John Glave in Search of a Philosophy	Charles Jones	747
A Note on "Economic Democracy"	R. L. Northridge	759
The Policy of a Philosophy	C. H. Douglas	763
Mr. Hawtrey's Giraffe: Part III	W. L. Bardsley	774
The Present Economic Dilemma	F. M. Angelo	782
The Aim of Social Credit	H. E. du Pré	800
Australia and Credit Reform	A. W. Coleman	806
The Backbone	E. J. Roberts	816
Ask and It Shall Be Given You	Bernard Rowntree	821
Verse	Geoffrey Dobbs	822
	B. W. Kitching	823
	B. M. Palmer	824
	Herbert Bluen	824
Review		825
Index		828

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Mr. Hawtrey's Giraffe

Part III.*

By W. L. BARDSLEY

AUTHOR'S NOTE.—The last section of this article is inspired partly by Mr. Hawtrey's book[†] and partly by a curious sort of dream about the receipt of a letter marked O.H.M.S. This might happen to anyone, of course, but the contents of the letter, in the dream, were unusual; the words left a vivid impression, together with that tantalising feeling, often observed in dreams, that one had read them before; they went something like this: "Dear Sir, —Could you and I, with fate, conspire to grasp this sorry scheme of things entire, would we not shatter it to bits, and then remould it nearer to the heart's desire? I have the honour to be, sir, your obedient servant, R. G. Hawtrey.")

VII

SIR WILLIAM BEVERIDGE, relinquishing his duties as director of the London School of Economics last summer, gave a most illuminating farewell address on the place of the social sciences in human knowledge. He deplored the lack of recognition, either by men of affairs or by scientists in other fields, of the authority of those who taught such subjects, and he attributed it in part to failure of the public and of "other scientists" to understand the nature of economic problems. The engineer, or any other technician, he said, considered alternative means of meeting a given need, whereas the economist described and explained the behaviour of mankind in the use of scarce resources. This reason for the general indifference towards economists, he thought, was not their fault, but he did blame them for their frequent failure to be scientific in method, and in particular for their neglect of observation of facts as the basis of theories and as the control of theories.

*Part I appeared in June, 1937. Each part is complete in itself.

[†]"Capital and Employment," by R. G. Hawtrey (Longmans, Green, 15s.), which is the subject of this review.

Most economists who essay to criticise the economic analysis and synthesis of Major Douglas content themselves with a confused, elaborate, and inaccurate struggle with their *pons asinorum*, the A + B theorem, reminiscent of a kitten's examination of a ball of wool, from which they eventually emerge, dishevelled but nonchalant, crying, "Having demonstrated the fallacy of the A + B theorem, upon which the whole argument of Major Douglas rests, there is no need to give serious consideration to his proposals for 'reform.' They amount to nothing but the unlimited issue of paper money, unbacked by gold, leading to uncontrollable inflation."

Mr. Hawtrey is made of sterner stuff. Undismayed by the hopeless tangle he has created, perhaps unaware of it, yet determined to be thorough, he plunges doggedly into the welter of his own argument and endeavours to show the fallacy of the National Dividend and the compensated price. The easy precedent created by his fellow economists would fully entitle me to say that the complete failure of Mr. Hawtrey to understand, much less to demolish, the A + B theorem makes it unnecessary to reply to his equally inadequate effort to discredit the constructive proposals. Indeed, to do so in seriousness would take another three articles, for it would involve a repeated reference back to the fallacies of his earlier arguments, which have already been demonstrated in the previous articles.

Fortunately for everybody, Mr. Hawtrey, by his portentous disregard of facts, permits me to dismiss the whole of the second part of his argument in a few paragraphs, and for this, if he regards it as embarrassing or cavalier, he has, as Sir William Beveridge points out, only himself to blame. And so he enables me to devote the space available to more constructive effort in the region in which, according to Sir William, he is not to blame.

First, in the matter of imperviousness to facts, is the astonishing ignorance, or apparent ignorance, of what Major Douglas has actually written in his books. By his references Mr. Hawtrey infers that he has read, he certainly quotes quite accurately from, four books:

Economic Democracy, Credit Power and Democracy, Social Credit, and The Monopoly of Credit. Perhaps they were very mutilated copies which came into his hands—this theory takes hold of the mind

as one reads Mr. Hawtrey's pathetically helpless expressions when confronted by some of Major Douglas's remarks. He conveys an impression that would be entirely appropriate to someone who had excavated a desert and dug up an incomplete and broken set of tablets engraved with portions of the four books enumerated. "If only," he seems to be thinking, "if only we could dig up the other tablets, we might be able to piece together something really important." Something of this bewildered groping can be gathered from a few sentences such as these:

"Is this a mere error, an inadvertent transposition? And this throws light on the meaning of 'credit created' If this interpretation is correct No method of measuring real credit is suggested But we are given no reason to link up the subsidy and the Just Price [*sic*] with the rest of Major Douglas's theory "

Now the fact is that full and complete editions of all the four books to which Mr. Hawtrey refers are available.* A little closer study of them is due from Mr. Hawtrey before any student of Social Credit should be asked to take up the task of correcting him. He must really eliminate a lot of errors due to loose reading first, and he must get some hold on facts. Nobody, outside a philosophical debating society, can possibly give serious consideration to an argument which contains assertions such as the following:

"And the idea that, even if all restrictive practices are discarded, an indefinite amount of inflation can be met by an indefinite expansion of output is a fallacy."

And while one is wondering to whose idea he may be referring, Mr. Hawtrey is busy preparing a knock-out. This is it:

"Credit is a term which for some people assumes an almost mystical significance, and Major Douglas draws a distinction between financial credit and real credit, real credit being the correct estimate of the potential capacity to deliver goods. But in ordinary parlance credit is simply another name for debt."

That credit is a term which has aspects which are mystical no one, surely, could deny. The first definition in the *Oxford Dictionary* is "belief, trust," words of intense mystical content; yet, unless I am mistaken, Mr. Hawtrey's first sentence is intended to be slightly derogatory of somebody. Major Douglas? Certainly Major

*In the British Museum.

Douglas shows himself fully aware, in his works, of the mystical content of the term credit, and of many other terms, but being a practical engineer he prefers to deal in the determinate aspects of the matter, as in his definitions of financial credit, which Mr. Hawtrey omits, and of real credit, which Mr. Hawtrey garbles.

Financial credit, which Major Douglas defines as a correct estimate of capacity to deliver money,* should, in his view, be a reflection of real credit, which is a measure of the capacity to produce and deliver goods and services as, when, and where required. Perhaps Mr. Hawtrey believed he had correctly condensed this definition (it is difficult to condense definitions made by people with engineering training), but that does not excuse the introduction of the word potential. *Potential and actual*, please, or leave the word "capacity" unadorned.

Which brings me to Mr. Hawtrey's own definition of credit, which he says is simply another name for debt. Well, that may be mystical—it certainly is not fact. The idea may account for a lot of things that go on at H. M. Treasury; it may even account for a National Debt of £8,000,000,000; but it certainly excuses me from further argument.

VIII

Instead, I am going to concentrate my attention on one of those really charming emanations from Mr. Hawtrey's subconscious which make me feel that he would be a good chap to be shipwrecked with. He ... but first of all look at what he says on page 311, in an "examination" of the compensated price mechanism, which he playfully refers to as the "subsidy" or "abatment":

"If a hundred million razor blades are supplied at 3d. each, the community [bless him!] spends £1,250,000 on them. If they can be supplied at 3d. a hundred the demand may be doubled.[†] but still only £25,000 will be spent. That process does not help to meet the excess of demand generated by the subsidy; it actually leaves a greater amount of demand to be absorbed in other directions."

*Anyone who has worked in the credit estimation department of a money-lending institution must be struck by the descriptive accuracy of this definition of a term which has baffled other famous economists besides Mr. Hawtrey.

[†]Speaking strictly for myself, as a painfully but manfully economical shaver, I feel that this is an underestimate.—W.L.B.

This brief illustration is indicative of the difficulty of dealing with Mr. Hawtrey's brand of argument. It is supposed to be a comment on the compensated price mechanism, and as such it calls for a mental effort similar to that of an adult who is trying to follow a child's description of a scene in a pantomime. This will become clear if the passage is rewritten, using arithmetic which looks less like a mistake in the multiplication table, and using the real (not Mr. Hawtrey's) conception of the mechanism he is supposed to be describing; thus:

If a hundred million razor blades are supplied at 3d. each, the community spends £1,250,000 on them. With a 66% per cent. price discount they can be supplied at 1d. each, and the demand may be doubled. So while the sellers will obtain £2,500,000 for their increased output, two-thirds of this will be paid by the Credit Authority, and the consumer will pay only £833,333; the difference between this and the total price formerly paid for blades being available for purchase of other goods. This, of course, will not be the case if the demand is trebled or quadrupled, when the benefit of the discount would be restricted to the razor blade market. Of course, the objective of the price discount is admittedly to increase purchasing power, and the individual in any case would seem to have purchasing power over more razorblades, or alternatively the same number of razor blades and more of something else.

Now, speaking as an economist, on page 305, Mr. Hawtrey calculated that at the present rate of capital expansion "the Just Price would be well below 5 per cent." Speaking as a critic of Major Douglas, on the same page, he complained that he "sometimes puts the abatement in his illustrative examples at 25 per cent." Speaking as a man and a brother, and giving full rein to his delightful subconscious, Mr. Hawtrey (unless I am guilty of using a multiplication table with a misprint in it—the same he accuses Major Douglas of using) plumps for a discount of 99 per cent. in his illustrative example of the razor blades.

And if in the conscious part of his mind he is still rather horrified at the idea of people being left with "a greater amount of demand to be absorbed in other directions," that is merely because he has been schooled as an economist to describe and explain the behaviour of mankind in the use of scarce resources (for which so great an authority as Sir William Beveridge refuses to blame him). It must be his subconscious which pictures a world where razor blades are, not three, but thirty-three a penny ...

IX

The following examination questions have been prepared as part of a new elementary text-book on economics based on the novel proposition that the subject is concerned with the behaviour of mankind in the use of abundant resources. The proposed title is *Plenty Without Tears*, and completion of the work will be considered if a satisfactory financial inducement is offered by the London School of Economics. If proceeded with, it will be gratefully dedicated to Mr. R. C. Hawtrey, originator of the ninety-nine per cent. price discount proposition.

Question 1. A party of fifteen men and women are drifting on a raft in the Atlantic. There is no land in sight, and they do not know their exact position. The sun is hot, and one of the party, feeling thirsty and observing that his companions are asleep, helps himself to a drink of water from the water cask, which contains about eight gallons. As he does so his friends wake up and see what he is doing. Describe and explain their behaviour.

Question 2. Fourteen men and women from the same party are drifting in a motor boat on Lake Superior about a year later. There is no land in sight, and they do not know their exact position. The sun is hot, and one of the party, feeling thirsty and observing that his companions are asleep, helps himself to a drink of water from the lake. As he does so his friends wake up and see what he is doing. Describe and explain their behaviour.

Note: The motor boat is luxuriously equipped and boasts an American bar.

Question 3. Describe a simple ticket and accounting system to assist a teacher, who is in charge of a school treat for two hundred children, to effect an equitable distribution of the following:

(a) Two hundred and twenty-five slices of bread and butter, eighty-three rock cakes, ninety-two currant buns, and ten gallons of lemonade.

(b) Ten hampers prepared for the occasion by Messrs. Fortnum and Mason to the order of Lord Nuffield. Use your imagination.

Question 4. You are the proprietor of a small cinematograph theatre with a seating capacity of seven hundred

and fifty. In the course of business you have to deal with the following situations:

(a) The box office attendant forgets to replenish his stock of tickets, and reports that he has only four hundred tickets for the Saturday evening performance, but his aunt has some pens, some ink, and some paper. What do you do, and why?

(b) You have a contract with your printer to supply tickets on the basis of seven hundred and fifty seats for each performance. You install an electrical sound-producing mechanism which enables you to dispense with your orchestra, and provide additional seating accommodation for twenty patrons.

What proposition do you make to your printer?

What do you do if he refuses to carry out your instructions?

Bearing in mind that the general productive resources of the country are unimpaired by your actions, what happens to the orchestra?

(c) Your box office attendant, distraught because of his failure to engage the affections of one of the usherettes, absent-mindedly supplies two tickets to every patron for the Saturday afternoon performance.

How do you control the situation?

How are the additional tickets cancelled?

Question 5. Describe and explain the behaviour of Old Mother Hubbard and her dog on the supposition that her cupboard, instead of being bare, is bursting with good food.

Question 6. Supposing that an Advisory Committee on Nutrition reports that a number of people in this country require more fresh food, including milk, eggs, meat, fish, vegetables, tea and coffee—

(a) Where is the food to come from?

(b) Describe a simple ticket and accounting system to deal with the situation.

Question 7. You are a Treasury official. The War Office, charged with the duty of increasing the strength of His Majesty's armed forces, finds that recruiting has fallen off. Enquiry elicits the fact that the remuneration offered

is not a sufficient attraction to men who are earning good money on the staff of greyhound racing and football pool enterprises.

Two possible solutions are suggested: to impose heavy taxation on the greyhound racing and football pool promoters, or to increase the scales of pay in the Army, Navy and Air Force.

Which would you recommend? Why?

Question 8. You read in your daily paper that several million bags of coffee have been destroyed in Brazil, and that severe wheat restriction legislation has been introduced in the United States.

Draft a letter to the editor under the title "Half a loaf," introducing the humorous story of the man who said, "If there is one thing I like better than a nice cup of coffee it is two nice cups of coffee."

Question 9. About a hundred years ago Carlyle wrote this of England:

"With unabated bounty the land of England blooms and grows; waving with yellow harvests; thick-studded with workshops, industrial implements, with fifteen million workers understood to be the strongest, the cunningest and the willingest our earth ever had; these men are here; the work they have done, the fruit they have released is here, abundant, exuberant on every hand of us; and, behold, some baleful fiat as of Enchantment has gone forth saying, 'Touch it not, ye workers, ye master workers, ye master idlers; none of you can touch it, no man of you shall be the better for it; this is enchanted fruit.'"

Write a short account of the principal changes which have taken place since the time this was written, confining yourself strictly to facts.

Question 10. State the meaning of the following expressions, and write a short comment on each:

- (a) Dolce far niente.
- (b) Dopolavoro.
- (c) Boondoggling.
- (d) Stakhanovism.
- (e) Omne ignoto pro pontifico.
- (f) Aut disce, aut discede; manet sors tertia—caedi.