

Introduction to
Economic Democracy by **C H Douglas**
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This introduction was written for the 1974 (fifth) edition of Douglas' work. The first edition was written in 1919.

It is one thing for the teacher to write a forward to the pupil's work, as C H Douglas once did for mine, and quite another, even twenty-two years after the author's death, for the pupil to introduce the master's; but I am glad to undertake this, not only because it is an honour to be asked to do so by the author's daughter and copy-right-holder, but also because some introductory explanation has now become very necessary for a book written in the idiom of fifty years ago, some of which has been changed or even inverted in meaning, although its substance remains singularly up-to-date and critically relevant to the circumstances of the present day.

Economic Democracy, one of the 'key' books of the Twentieth Century, first appeared serially in the pages of *The New Age* beginning in June 1919. That is to say, it was published in what is now generally acknowledged to have been the most brilliant English-language journal of the time, and by an editor, A. R. Orage, who has become a legend. *The New Age* has an undisputed place in the cultural history of the early Twentieth Century, and it was the leading journal of the Fabian Socialists until the founding of the *New Statesman* in 1913, which marked a stage in that cleavage between the will-to-power and the will-to-freedom (to use Douglas's terms) which inevitably occurs, as the history of politics so clearly shows, in every movement dedicated, at the outset, to the betterment of mankind.

It must be remembered, however, that although *The New Age* was, in contemporary terms a leading 'socialist' or 'progressive' journal - even '*avant garde*' in its day - the meaning of those terms has now been changed, sometimes to the point of inversion, after half a century in which the world has been rushing down the other fork of the cross-roads at which Douglas and his contemporaries stood, having ignored the signpost which he set up, and having now discovered, to its bitter cost, that it has taken the wrong path. It is therefore particularly appropriate that this book, long out of print, should be republished, and that signpost set up again, so that a disillusioned world can realise that there exists an alternative to disaster, though not without a radical change in the sort of thinking which now accepts the centralisation of power as 'progressive', and condemns its distribution as 'reactionary'.

Even before Douglas appeared on the scene, Orage and *The New Age* had chosen the path of freedom and had turned their backs on collectivist State Socialism, that is, on the socialism of the will-to-power, as well as on the soul-destroying wage-slavery of Capitalist mass-production. Under the heading of Guild Socialism they were inclined to look backwards to the craftsmanship of mediaeval times, and to reject all science and technology as of the Devil. Douglas supplied just what these people lacked. For although *The New Age* was the forum for the leading literary

and political writers of the day, it was then, even more than now, taken for granted that politics and economics were subjects for the men of words. It was unheard of for someone with practical knowledge and experience of the actual processes of industry and accountancy to take a hand.

In this, Douglas was as far ahead of his time as he proved to be in other ways. An engineer, with a wide experience of practical responsibility in many parts of the world, including the unique experience of drawing up the plans and specifications for the electrical work on the Post Office Tube (one of the earliest examples of automation in the history of engineering) he had spent the last two years of the First World War as Assistant Superintendent of the Government Aircraft Factory at Farnborough. In this capacity he brought an original mind to the question of the factory's cost accountancy - a mind which thought first in terms of the practical realities of production for use, and then considered the book-keeping or financial arrangements as a secondary convenience, much as a railway engineer might consider the railway ticket system. This might seem obvious, but it completely inverted the accepted manner of thinking which treats the whole industrial process as if it existed for financial ends, whether for profits or for employment and wages.

Douglas's first article in the *English Review* of December 1918: *The Delusion of Super-production*, would have been still a little ahead of its time if published in 1968; and his recognition of the social responsibility of the scientist and technologist, and of the colossal sabotage and waste of real resources and energy involved in our financially dominated economic system, have yet to receive their due, even now when, at long last, events have begun to move public opinion in this direction.

It is, of course, well known that, during the Great Depression of the inter-War years, Douglas's ideas achieved a considerable following, and gave rise to a Social Credit Movement which has left a small, but indelible, mark on the politics of the British Crown Commonwealth. But only a handful out of all those who called themselves his followers have ever grasped the truly radical nature of his thinking, or the fact that his proposals for monetary reform were quite secondary embodiments of the fundamental policy of the will-to-freedom, which now emerges as the sole alternative to the present domination of the will-to-power. In a world writhing again in the agonies of the money-torture, in a form even more deadly than that which afflicted it in the 1930s, the words of Douglas strike home with a force even greater than they had then, strengthened as they are by the course of events which he predicted.

To those who believe that the pursuit of power - that is, of centralised power to force one's ideas upon others - is the only conceivable course for any movement to take which seeks to better the human condition, it will appear obvious that Douglas and Orage and those that followed them in opposing the trend of centralising Finance-Capitalism merging into State Socialism, had made the wrong choice, and have paid the penalty of defying the course of history. If such power-seekers are satisfied with 'the course of history' they need not trouble to read further. But for those who believe that the truth alone can set us free, though not now until the lesson has been learnt from the consequences of the mass-pursuit of untruth, it may be noted that Douglas's analysis, based on a practical knowledge of modern technology and accountancy, went accurately to the core of the matter, whereas the analysis of Marx and of Lenin, men of words and of word-power, was fundamentally abstract and inaccurate, although surrounded by a vast

mass of detail and of repetitive and hypnotic verbiage, in contrast to Douglas's condensed statements.

It is not, for instance, the widely held ownership of the means of production by 'private' (i.e. free, independent) people which creates an exploited proletariat and the consequent class struggle. On the contrary, the more 'common' such ownership is, the greater the freedom of the worker in choosing his employer, and the less 'common' the less freedom, until it disappears altogether when the State becomes sole employer, under the abstract slogan: 'Common Ownership'.

No person of even modest private means is 'proletarianised' by accepting employment; it is the total dependence of the worker upon the employer which opens the door to exploitation, and this has no real or natural economic basis, it is monetary and ideological - a fact which becomes more obvious every year as technological invention increases the productive power of human labour, and the workers organise to 'fight redundancy'. Money, originating as bank credit, has been described as a license to live; and it was upon the policy of credit-through-the-employer as sole distributor of licenses to live to the bulk of the people that Douglas put his finger. When we consider the total dominance of monetary considerations over our industrial and political life, it is scarcely possible to deny that he was right.

There are two opposite directions in which a movement which sets out to protect and liberate the workers can move from this situation. The will-to-freedom would work towards the elimination of a proletariat through decreasing dependence upon employment, as productivity increases, decreasing the importance of labour as a factor in production; and also with the increasing need to conserve resources and avoid waste through unnecessary employment in the production of unwanted and unneeded products. Incidentally, this would arrive at an economically classless Society through the abolition of a financially dependent and exploitable class; a state of affairs described by Douglas's title: Economic Democracy.

Alternatively, a Socialism activated by the will-to-power, while retaining the slogans and image of a movement for the liberation of the workers, can move in the opposite direction by identifying itself, not with the *people* who seek liberation from the proletarian condition, but with their class-status of exploitability through dependence on employment itself. This it can seek to glorify, to expand, and ultimately to universalise as a power-base for socialist politicians. The aim here is the same as that of the monopoly capitalist, namely the progressive concentration of employer-power over ever-growing masses of workers, which most Socialist Governments discreetly encourage, since they recognise it, as Lenin did, as an essential step towards the socialisation of production and the total dependence of a fully proletarianised population upon a single all-powerful Employer, the State.

The power-socialist views with even greater hostility than the power-capitalist the possibility of an increasingly independent worker, capable of making his own bargain with the employer, and with no need to surrender the control over his labour to a Union Leader. In consequence the Big Unions have grown into labour monopolies with far more terrifying powers over the workers than the employer holds; and have now become armies organised to demand money with menaces, not merely against the employers, but, ironically enough in the 'public' sector, against

the whole community - a strange outcome from a socialism that used to talk about working to serve the community and not for gain.

In 1918 Douglas could see great hope in the shop steward, or rank-and-file movement in industry, to reverse the centralising tendency of the Unions, in that it was decentralised, with the control of policy coming from the shop-floor upwards, instead of, as in the Unions, from the top downwards. Insofar as this is still true, it is probably still an important factor tending towards industrial peace and efficiency, due to the understanding and settlement of genuine grievances. But in the meantime this movement has been the particular target for penetration by communists whose policy is the ultimate centralisation of power through the final merger between employer power and Union power, money power and bureaucratic power, legal power and police power - all concentrated in the all-powerful Work-State under the slogan 'all power to the workers' and under the sign of the clenched fist of mass-intimidation.

There can be no doubt that the socialist movement, nowadays, has rejected the will-to-freedom (except for lip-service) and is wholly dominated by the will-to-power. Neither is this sort of socialism limited to the Labour Party or the 'Left'. Was it not Baldwin who said, as long ago as the 1930s: "We are all socialists now", and since then, the line between 'Big Business' and socialism has become still more tenuous. The hope lies in that its disastrous objective, the Socialist State, is at last becoming recognised for what it is: the end-position of monopolistic Finance-Capitalism, or, as the young people of the New Left are inclined to call it, with greater emotional than historical accuracy: the Fascist Police State. Unfortunately, some of them do not recognise the anarchy of 'continuous revolution', which they have been led to suppose will avert this State, as an essential part of the fear-mechanism which is used to introduce it. It is necessary to be far more radical; to get down to the real causes; and to take the rejected path to freedom with Douglas.

One of the difficulties in this re-thinking is then change in the meaning of words and phrases brought about by their continual use in the propaganda of power, so that parts of this book may be completely misunderstood if taken in their current and corrupted meanings. This applies particularly to words which refer to people and to property or ownership, which, in the idiom of State Socialism which has become the accepted idiom of the day, are abstracted from their real meanings and taken in a collective or exclusively monetary sense.

Thus, in any political appeal 'the people', 'the community', 'Society' always starts by meaning the actual people - you and me and everyone else - considered collectively, and Douglas always used such terms in this sense. Now these words refer to some vague, collective Moloch whose 'interest' is directly opposed to that of actual people, now called 'private persons'. 'Common property or ownership used to mean *our* property or ownership; and the appeal of the word 'democracy' lay in the opposite of financial monopoly or centralised government, namely in the idea of maximum distribution of political and economic power to everyone, as a person, not as a unit in some mass.

Property is something which is 'proper' to a person, and ownership applies to something which can be his 'own'. These words refer to men and women, not to abstractions; and they imply the

right to possess, to enjoy, and to 'exploit' in the wholly beneficial sense of 'to make full use of, to get value from' as well as to dispose of to the owner's advantage. So long as the monetary transactions correspond to these realities they are merely a very useful convenience. It is not until the book-keeping becomes the main objective, and the monetary sense usurps the real sense of the words that their meaning can become inverted, and 'exploitation' can come to mean the misuse or waste of resources for monetary ends and the failure to get value in real terms from them. 'Property' having now become 'the right to get money from' and 'the people' a collective mass represented by the Government, the way is now open for the complete inversion of 'common property' to mean the expropriation of all actual people, while the real powers of ownership pass to the ruling oligarchy and its dependent bureaucracy.

These explanations have now become quite essential for most readers of *Economic Democracy* whose memories do not go back to the time it was written. For instance, Douglas's statement in Chapter 8 that:

"Natural resources are common property, and the means for their exploitation should also be common property".

will inevitably be taken, nowadays to mean that natural resources should be expropriated by the Government, and that property in them, far from being common, should be abolished. It will be quite hard for many people to grasp the strange idea that he meant exactly what he wrote: that 'common' meant common; 'property' meant property, and 'exploitation' meant enjoyment and use by actual human beings. Perhaps some examples will be helpful.

Air, for instance, is a 'natural resource' which is unique in being common property in the most complete sense - available to everyone, everywhere, at all times, since all have the means for its exploitation in their lungs. If it were to become 'common property' in the State Socialist sense, it would, of course, be vested in the Government, and everyone would lose the right to breathe freely, exploiting for their own personal gain the property of 'The People'. This is, I hope, far-fetched, but the same principles are already being applied to water, which has some of the essential and universal properties of air.

Land, on the other hand, is a resource of a different nature, in that it is fixed and local. It is also a 'mixed' resource; in part a universal essential, but in part also a form of capital of no direct use *per se*, but only as a vital factor in the production of necessities such as food, clothing and timber. As common owners of the land we all need to be and to walk upon it and to traverse it for purposes of travel and recreation, wherever this does not infringe more important forms of ownership. We also all need to dwell and to make our homes upon a particular piece of land, and it is here that the contrast between the aims of the will-to-power and the will-to-freedom is at its most obvious. Ought the land to belong to the people - for instance, ought freehold home ownership to be as common as possible? Or ought it to belong to 'The People', with the actual powers of ownership exercised, through its agents, by one great Absentee Landlord, the Government?

Land as productive capital is quite another matter. There is no case for common ownership here (in the sense of administrative control) by anyone who lacks the skill or the will to produce from it; though the Englishman's love of his garden is a sign that this skill and will is quite common,

even among town-dwellers. But for the non-producer it is not the land, but its produce which he needs to own.

The same applies to coal, oil, or minerals in the earth's crust. What use could most of us make of a coal seam, a copper deposit, or oil or gas under the North Sea? To talk of common ownership of these in the real sense is meaningless nonsense. We cannot exercise the rights of ownership until they have been converted and made available to us in usable form. Exactly the same considerations apply to the ownership of the capital equipment of industry required for the processing of these resources for our use. What real (not monetary) use could we make of a coal mine, an oil rig, or a steel mill?

It is most important, however, to realise that, financially and collectively, we have to buy these capital equipments, and also their intermediate products, in paying their cost in the consumable goods they eventually produce; and in this sense they may be termed 'common property'. The financial system ought, therefore, to enable us to meet their cost without mortgaging the future.

As Douglas makes clear, production is the conversion of matter or energy from an unavailable form to one in which it is available for the use of mankind. The efficiency of this conversion depends primarily upon the usefulness of the end-product. Usefulness to whom, and who is to be the judge of it? Douglas says these resources are common property; which means that they ought to be made available for our use, and we are the judges of that use. And that means consumer control of production: Economic Democracy; which is incompatible with a system which distributes goods and services only through the process of producing more goods and services, thus giving a clear incentive to produce useless, unwanted or superfluous things, and to create a 'demand' for them.

We are said to live in a 'Consumer Society' suffering from the disease of 'consumptionism' due to the greed of the common people as consumers. But this puts things upside-down. 'Productionism' or 'employmentism' would be better names for the disease, for we are passing increasingly under producers' control, the consumers, whose greed is much exploited in the process, being force-fed with the by-products of an industry which is primarily concerned with the provision of work and the distribution of money. This aim is opposite to, and incompatible with, that of production for use with minimum cost and waste of energy and resources; and its end-position of 'workers' control' - the dictatorship, not of one class over another, but of Man as the hired agent of others over the same Man as free Agent - is incompatible with economic democracy.

The necessity for consumer control of production is the necessary background for an understanding of Douglas's monetary analysis and proposals, and much confusion has been caused by critics who have not grasped this, but who used to maintain that he had mistaken a temporary shortage of purchasing power due to deflation for a permanent deficiency in the system. In fact Douglas never said that our producer-dominated credit distribution system could never distribute the money to buy the goods wanted, but that it could not do so without producing what was not wanted, and with accelerating waste and sabotage. If work accomplished, priced to cover an accumulation of costs over an indefinite period, can be distributed only through work in progress (to be piled onto the accumulated costs of work

completed next year) then we have the recipe for our modern predicament - the necessity for continuous 'economic growth' with ever-growing squandering of energy and resources, as technological advance increases the product per man-hour. Unless inflationary producer credits, supplemented by consumer credits mortgaging future wages, are poured out faster and faster, then we can buy less and less of what we have produced.

Douglas alone has analysed the situation correctly and shown us the way out; and events have proved him to have been right, and his critics wrong. Distribution, he pointed out, should be a function of work accomplished, not of work in progress. That means that the people, collectively, ought to be able to meet the accumulated costs of all the goods they want as they come on the market, without mortgaging the future. Douglas defined 'purchasing power' as "the amount of goods of *the description desired* which can be bought". It is not satisfying consumption which is waste; in fact that is the sole purpose which justifies production. It is non-consumption, or unwanted, or forced, or hypnotically induced over-consumption which is waste. The processes of increased technological efficiency which go on in industry ought to be resulting in a continuous fall in prices, but this is more than offset by the charging of all waste and inefficiency to the consumer. It was he also who defined 'real credit' as "a measure of the effective reserve of energy belonging to the community" which ought to be reflected in the financial system. These considerations, put forward in 1918, can now be ignored only at our dire peril.

It must be remembered that *Economic Democracy* was Douglas's first book; the prentice effort of a mind already mature, but which was to grow in depth and incisiveness for another thirty years. It is certainly his most 'difficult' book; it is incredibly condensed, and it took a mind of the calibre of A.R Orage's to grasp its significance when it was written. Douglas once told my wife that *Economic Democracy* was the last of his books that he wanted to see re-published, and he is understood to have had thoughts about re-writing parts of it, notably Chapter 8 with its 'purely idealistic' scheme at the end, which was admittedly not practicable at the time, in contrast with the proposals for redistribution of the National Debt in Chapter 9, and for the Just Price in Chapter 10. These may be seen as early examples of proposals embodying the principles of consumer control, produced under First World War conditions of centralisation, for application in the post-War situation. The later development of Douglas's financial analysis and proposals may be found in *The Monopoly of Credit* (1931); but he was always capable of producing, *ad hoc*, a precise set of monetary proposals for any given situation; and these were never intended as any sort of permanent plan or programme.

Here, then, are some of the reasons why I have thought that this first book now needs an introductory Chapter to put it into the background of the late Twentieth Century, and to dispel some of the garbled versions of Douglas's ideas which have been put about in the meantime. *The Delusion of Super-Production*, Douglas's first article, published in the *English Review* of December 1918, has been added as an appendix at my suggestion. It is difficult to imagine anything more prophetic or relevant to the situation of the 1970's

There is always a time-lag of generations between the appearance of a seminal idea, and the possibility of its widespread acceptance by minds which can be opened to it, on a large scale, only by the heavy pressure of events which have been correctly anticipated. It appears that this

time is now approaching for the opening of minds to Douglas's ideas. In the 1920's and 1930's many people could see their application to the situation of 'poverty amid plenty' through mass unemployment among unsold goods and unused productive power. But most people could see no further when, as Douglas so frequently predicted, this 'problem' was 'solved' by the vast super-production of War, and Keynesian economics brought in the era of accelerating super-production via continuous inflation and 'employmentism'.

At long last it is being realised that this cannot go on indefinitely; that even this rich planet with its continual shower of energy from the Sun, cannot endure without impoverishment the wasting of its resources at an accelerating rate upon purposes other than the precise requirements of the people who live on it - purposes such as the distribution of book-entries and money-tokens, or the imposition of the will of a handful of controllers of production. Already the environmental Movement has become a 'bandwagon' which has been taken over by producer interests concerned to exploit (and often to exaggerate) the scarcities they are making, so as to tighten still further the dictatorship of the producer and distributor over the people they are supposed to serve. In conclusion, it may be said, literally and solemnly, that no efforts to deal with this economic dictatorship, or to avert the environmental crisis which it is bringing about, can hope for success on the scale necessary to avoid disaster, unless and until prejudice is laid aside, and the fundamental revolution in ideas which was inaugurated by this book is accepted and put into effect.

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