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The Political Economy of Social Credit and Guild Socialism

Frances Hutchinson and Brian Burkitt

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Bill Jordan writes:

This is a very topical book. In the weeks before last Christmas, a leading Japanese finance house collapsed; the South Korean economy was in crisis, its government forced to turn to the International Monetary Fund for a massive loan; and the New Labour government in Britain announced measures to cut lone parents' and disabled people's benefits, in order to induce more of them to enter the labour market. The theoretical texts and political movements analysed by the book's authors can claim to explain the connections between these events, and to have predicted – three-quarters of a century ago – just such continuing problems and contradictions in global capitalist development.

The first part of the book is a painstaking reconstruction of the early writings (1919-22) of Major C.H. Douglas, the heretical critic of orthodox neo-classical economics. The authors argue that it is impossible to make sense of these texts without understanding the context of guild socialist thinking within which they were framed. Douglas himself was an engineer and an accountant, engaged in government war contract work at the time he developed these ideas, but most of his early writings were published in the *New Age*, the leading socialist journal of the period immediately after World War I. Its editor, A.R. Orage, was a prominent member of one of the wings of the guild socialist movement, and this book argues that he was, in effect, the joint author of the texts. Once his charismatic and broad intellectual influence was lost to the movement for Social Credit (when he quit the editorship and emigrated in disillusion in 1922), little of originality was added to the theory, and much of its persuasive force was lost.

Guild socialists had long argued that the evils of capitalism were more connected with the 'commodification of labour power' (the system of work for wages) than with ownership of the means of production. They aimed to restore the freedom and dignity of labour, through the trade union movement, and thus transform productive processes, not just in their organisation, but also in their rationale and purposes. Hence they embraced cultural and ecological goals, personified in the work of William Morris. Douglas is not remembered for his affinity to such ideas; he was a rather cold, remote technocrat, whose writing style was often strangely obtuse and incomprehensible. However, one passage illustrates his detestation of 'wage slavery', and possibly also the influence of Orage on his expression of it:

There is absolutely no concrete difference between work and play ... No one would contend that it is inherently more interesting or more pleasurable to endeavour to

place a small ball in an inadequate hole with inappropriate instruments, than to assist in the construction of the Quebec Bridge, or the harnessing of Niagara. But for one object men will travel long distances at their own expense, while for the other they require payment and considerable incentive to remain at work. C.H. Douglas, *Economic Democracy, 1919, p.88.*

The Douglas / *New Age* texts traced all the phenomena listed in the first paragraph of this review to the system by which credit (and debt) were – and still are – created by banks. Douglas pointed out that money was not a neutral ‘numeraire’, as neo-classical economic theory claimed, but a commodity that is traded like any other. The difference is that the banks are licensed to create it out of nothing, and to charge an interest rate for lending it to firms and individuals.

In the production process, the prices charged for final products reflect both the cost of wages, salaries and dividends in that final process (A payments), and those in respect of ‘intermediate’ goods used (semi-manufactures, fuel etc.), depreciation of equipment, etc. (B payments). The latter costs are necessarily financed out of bank loans and overdrafts, and the constant growth of output required to finance these repayments gives increasing power to financial institutions. The consequence is an economic system of irrational enslavement to waged work, such that governments enforce the obligation to earn a living, even on those whose potential productivity is manifestly minimal.

Corrupt Japanese finance houses, South Korean manufacturing assets, being sold at knock-down prices to Western banks, and British claimants being coerced by a Labour government are all traceable to the same fault in capitalism.

Part of the Douglas / *New Age* remedy was to give *national dividends* to all citizens, as unconditional Basic Incomes, unrelated to employment record or current means. These payments would distribute the common heritage of culture and technological knowledge to all members of society. In consequence, as consumers, citizens could use this ‘Social Credit’ to call forth production that met their needs, rather than respond to advertising pressures to sell what they had been required to produce. National dividends would gradually replace wages and salaries as technological progress advanced and productivity grew.

The second half of the book traces the misinterpretations of these early texts by both orthodox labour and neo-classical economists, and the subsequent fate of the Social Credit movement as a political and (in the hands of Hargrave’s Green Shirts) a paramilitary, quasi-revolutionary force. The brief conclusion makes a link with the Basic Income texts and the Citizen’s Income movement of the present day. The book should stimulate a fresh debate between those who still see monetary reform as a necessary condition for viable BIs and the mainstream of the movement.

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