'Dividends
or ALL'

BEING AN EXPLANATION OF THE

DOUGLAS SCHEME

By W. ALLEN YOUNG

SECOND EDITION.

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'DIVIDENDS FOR ALL'

Being an explanation of the DOUGLAS SCHEME for solving the Industrial Crisis, by rescuing the nation from the Financial Morass and setting it on the road to prosperity.

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Contents

NOTICE.

Parts II and III of this pamphlet have been reprinted from "THE NEW AGE" for 26th May, 1921, with the Editor's permission.

PART I.

(*a*) Why the Scheme has been devised.

The Importance of the Coal Strike.

The coal strike has been a quarrel between employers and employed over the fair division of the decreased amount of purchasing power which the coal industry can pay to those engaged in it. It is generally agreed that for a short period there can be nothing to divide except losses ; and that even with assistance from the Treasury the coalowners must accept reduced profits and the miners must accept a reduction in wages. In other words, both coalowners and miners must agree to a reduction in their standard of living, *i.e.*, they must agree to accept from national production less goods and services than before. There is no other basis for a settlement if the present financial principles of the industrial system are sound.

But if the coal owners and miners accept reduced purchasing power, the effective demand in the home market will be reduced by a corresponding amount, and to some extent other industries in the country will also suffer. Although the results of this infection may not at first be serious, the disease from which they spring is a danger to industry as a whole, and its significance cannot be exaggerated. For the coal industry is only one point in the industrial system where danger exists. To put it bluntly, it is not the industrial system which is endangered because the coal industry has become insolvent. It is the coal industry, and all other industries which have become endangered by a breakdown in the industrial system.

Nearly every industry in this country is suffering from the fact that the home market is unable to absorb its goods at the price at which they are offered, and the foreign market is unable to do so for the same reason. It has been proposed that an effort should be made to re-establish the foreign market by a reduction in cost sufficient to enable export goods to bear a price low enough to balance the "favourable" foreign exchanges. But the only large reduction in cost which is possible is a reduction in profits and wages. A reduction in profits and wages means a reduction in the effective demand of the home market. In fact it is proposed that the foreign market should be re-established at the expense of a further slump in the home market. In other words, it is proposed to cure the illness by inoculating the patient with more virulent germs of the disease from which he is suffering!

But on the other hand it is contended by others that it is possible to re-establish the home market first, and in addition to re-establish the foreign market up to a point at which it can be made to feed our industries with raw materials, while not acting as a drain upon the supply of retail goods to our own population. This view has recently received prominence by the publication of a book entitled "Credit Power and Democracy."* The author is Major C. H. Douglas, an engineer, who has had considerable experience of accountancy, and who served during the War as Assistant Superintendent of the Royal Aircraft Factory at Farnborough.

The solution to the problem which Major Douglas offers is based not upon the fair division between employers and employed of a rapidly vanishing quantity, but in a change in the financial machinery of industry which must result in an uninterrupted increase for the future, of the quantity of purchasing power to be divided.

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* Published by C. Palmer, 7/6 net.

(*b*) The Industrial Problem.

Preliminary.

The industries of the country may be regarded as forming part of a machinery which exists for a particular purpose. The fact that certain industries are at the moment almost insolvent, and the fact of recurrent industrial disputes, are both of them indications that there is some defect in the industrial machinery which ought to be remedied, unless its whole existence is to be placed in jeopardy.

A New Analysis of the Problem.

The chief factors in the problem become clear if an analysis of the existing economic machinery is carried out in terms not of money, but of goods. Whether an individual obtains his money from a dividend, a salary, or a wage, he is only concerned *with what it can buy.* But much of the discussion about the coal strike has been carried on in terms of money and not in terms of goods. " Fair profit," " just wage "—these are the phrases which are used to express the demands which both parties to the coal dispute are making upon the Producing Machine without it being able to satisfy those demands. But in reality, all that employers and employed are demanding without satisfaction is this : that the industrial machine of this nation should fulfil its purpose, and that it should provide for the individuals of this nation, goods and services as, when and where they require them. Fundamentally individuals should not associate in industry either to " make money " or to accumulate for this nation the biggest gold reserve. They should associate in industry to deliver to themselves and their fellow countrymen the goods and services which as individuals they all need.

The Purpose of Industry.

1. The purpose of industry can be nothing less than this: To deliver to the individual the goods and services he needs as, when and where he requires them. Nationally regarded, it is to make the producing machinery of this country work for the people *of this country to satisfy their needs.*

2. Export trade should be subordinated to this purpose. If it is necessary to export manufactured articles, or raw material, such as coal, in order to obtain the raw materials this country lacks; such raw materials, obtained in exchange, ought to be used to manufacture the articles which the people of this country, whether employers or employed, wish to obtain for their individual needs.

3. There are two kinds of goods which the Producing Machinery can deliver:

(a) *Ultimate goods,* namely goods which are ultimately produced by the Producing Machine, and to produce which that machinery exists. These are sold by the retailers to the Consumer, and the price of certain of them constitute the average household's cost of living.

(b) *Development goods,* namely goods from which Ultimate goods are developed. Their importance lies in their function, to produce Ultimate goods which the Consumer demands. *Apart from their function—unless they are being used as the Consumer requires—they have no importance whatever.* Factories and tools are Development goods.

4. The *kind* of goods, therefore, which industry exists to deliver to the individual are largely Ultimate goods. This is important. For if a man should have one hundred factories capable of producing clothes, but for some reason not doing so; and if he should have one hundred tractor ploughs, capable of tilling his fields, but fails, for some reason, to find men to drive them,

he may discover himself without clothes and food. *Development goods have no value to the Consumer unless they are producing Ultimate goods as he requires.* And although a nation has plant capable of producing all the Ultimate goods which it wants, if, for some reason, the plant cannot be worked, that nation may be reduced to starvation while in the midst of potential plenty.

Industry is failing to fulfil its purpose to-day.

The Consumers of this country, both employers and employed, are beginning to realise that they are not obtaining the Ultimate goods and services they need, up to the limit of the possibilities of the Producing Machine. They are repeatedly involved in quarrels as to the fair division of the small amount which they do receive. According to some economists, this amount must for many years be much smaller than in the past.

The Reason.

1. Is Production for the home market limited by a lack of demand? Neglecting money for the moment, the answer must be "No." There has never been a greater real demand in the home market for Ultimate goods. The minority of the nation, who are employers, show no desire to be content with fewer goods for their personal use than in the past. The majority of the nation, who are wage earners, are revolting from a reduction in their standard of living, and are crying out for a higher standard.

2. Is production for the home market limited by a lack of plant? The answer must again be "No." Those who say we are poorer than before the War forget that our plant suffered little from hostile bombardment, and was indeed improved as a result of the stimulus of a huge demand for goods of a certain kind, which the War provided.

At the close of January, 1921, *The Times Engineering Supplement* published a report of a comparative inquiry into our present and pre-War wealth as embodied in the means of production, and the result of the inquiry was given in the following words:

"After making allowance for all deterioration that has occurred none of the firms reports that it has less plant than it had before the War, while four-fifths of them state that they have more, in some cases up to four times as much."

Mr. Edgar Crammond, managing director of the British Shareholders Trust, confirmed this in a speech about the same date.

"Our industries," he said, "had enormously developed on the lines of standardization and mass production, and the productive capacity of Great Britain was now at least fifty per cent. above the pre-War standard."

The point does not require to be laboured. There is fresh in the recollection of every one the high standard and intensity of production which was reached during the War, when many of the highly skilled were in the military forces. *There is nothing wrong with the plant.*

3. Is production for the home market limited by the laziness or inefficiency of those who work the plant? The answer must again be "No."

The British employer is no less enterprising than before, and is anxious to make as many goods of every variety of which he can dispose.

The British employee proved his mettle during the War. For a cause which offered little prospect of selfish gain, except that of wounds and death, he submitted loyally to discipline to which he had been unaccustomed, and laboured indefatigably in the face of great difficulty and danger. It is surely possible that he strikes to-day because he realises dimly that the only purpose of his working machines is in order that these should, either directly or indirectly, secure the delivery to himself and to his fellow countrymen of the retail goods which they need, which delivery is not at present taking place. Surely he strikes, not because he does not want to work, but because, unlike the German, he refuses to work *uselessly*. If a way could be found by which the full power of the Producing Machinery could be turned on to satisfy the *real* demands of the home market for Ultimate goods, who can doubt that the British wage-earner would work steadily and well?

4. If, then, Production for the home market is limited neither by a lack of a real demand, nor by a lack of plant to satisfy such a demand, nor by the bad character of those who work the plant, by what is it limited? Obviously the only obstacle to national prosperity via the re-establishment of the home market lies in FINANCE. The link which joins a real demand to a real capacity to satisfy it, is the link of MONEY, or FINANCIAL CREDIT. The Producer can only answer the *effective* demand, which is that part of the real demand *which is represented by money tokens of some sort.* The Producer cannot supply the home market or indeed the foreign market either, as this country has recently found to its cost, unless the *real* demand is also an *effective* demand. In short, our present difficulties are caused neither by a falling off in the demand upon the Producing Machinery, nor by a failure of the Producing Machinery to answer it, *but by a failure of the present Financial Mechanism to unite the two.*

(c) The Faults in the Financial Mechanism.

Preliminary.

The function of Money as a means to exchange goods already produced is not so important as its function of *representing real demand*, in order that the Producer may know of its existence and proceed to satisfy it.

Money (of any sort) can be regarded as evidence of a claim on the Producing Machinery for a certain number of goods and services. Fundamentally the Consumer is interested that Money should be honoured by the Producing Machinery on demand, in *goods*, not in gold. Money should bear a definite relation to the amount of goods delivered by the Producing Machinery and to the ability of the Producing Machinery to deliver goods. Since the Producing Machinery only works in answer to a demand represented by money tokens, any vital error in the mechanism of their issue may bring about a position where the Producer will cease to produce, because there is a " lack of demand " ; and the Consumer will be unable to obtain Ultimate goods, not because he does not want them, but because the Producer has no evidence of his wants except in so far as they are represented by money tokens.

The Faults.

These are three in number. There exists a Fault in

(1) The *Rate* at which Money is issued.

(2) The *Manner* in which Money is issued.

(3) The *Control* by which Money is issued.

The Rate of Issue.

1. This is the vital point. It is contended that the Wages, Salaries and Dividends issued in any unit period of time are never sufficient to buy the Ultimate goods released for sale during the same period.

2. The reason is this. Every manufacturer attempts to get back, in the Price for which he sells his goods, all his costs without exception. He charges the Consumer for everything, including interest charges upon loans for capital expenditure, and eventually for the loans themselves, and also for the profit which is his inducement to produce. Price is therefore made up of two large sums paid out by the Producer: (A) All sums paid out for raw materials and overhead charges, and (B) all sums paid out in wages, salaries and dividends. Now Price equals (A) plus (B). But the money paid out as (B) is all the money which the Consumer of this country is given to buy the goods which he helps to produce either with hand, brain, or capital. Price is always greater than (B), since it always contains (B) plus other costs (A). Therefore (B), the total money issued, is never sufficient to buy all the goods the price of which is (A) plus (B).

3. Price is simply a figure placed upon a manufactured article by means of which another figure placed upon a money token may claim it. But the distribution of all the articles to the Consumers can only take place if the figures upon the money tokens correspond with the figures of prices.

Consider the industries of the country as a cistern with two outlet pipes. From one pipe issues a stream of articles with certain prices upon them and from the other pipe issues at the same time the money tokens of wages, salaries and dividends by which those articles may be claimed. If the series of numbers upon the articles belongs to a higher series than the series of numbers upon the money tokens, many of the articles must go unclaimed, and must be disposed of elsewhere, *i.e.*, in foreign markets.

4. Attempts are made to overcome false mathematics with good intentions, and the employers are asked to raise wages in order that those wages may claim more goods. But wages are contained in Prices, and therefore when wages go up prices rise also, and the level of Prices remains above the level of the wages, salaries and dividends issued in respect of them. The Consumer continues to cry out for an increase in his standard of living, and the Producer continues to declare that he can find at home only an insufficient market for his goods.

5. It has been argued by opponents of the scheme that of nine factories turning out Ultimate goods this may be true; but that in the same period of time a tenth factory will be turning out Development goods which do not come into the retail market, but in respect of which wages, salaries and dividends are issued which can absorb the surplus from the other nine.

In answer:

(a) The money issued by the tenth factory bears no *definite mathematical relation* to the price value of the Ultimate goods placed in the market by the other nine, and may or may not be sufficient to balance them if their prices remain steady.

(b) *But their prices do not remain steady.* The wholesalers and retailers, when the money from the tenth factory comes into their market, find that demand has gone up without supply going up also. They therefore raise prices. In other words, the effect of the money distributed by the tenth factory is not to dispose of all the surplus goods of the other nine, but only to dispose of some of them, until an increase in prices balances the new money introduced into the market. Thus prices are raised against those who drew money from the other nine factories, which makes it still more impossible for them to buy all the Ultimate goods produced, if they should wish to do so.

(c) Also in the succeeding period of time, the total costs of the tenth factory go into the price of the Ultimate goods produced by the other nine. Thus the *rate of flow* of purchasing power is always less than the *rate of flow* of prices. And as more and more processes become interposed between raw material and the ultimate product, the costs incurred and distributed in the past (A), which go into Price, must necessarily increase compared with costs distributed in the present (B), which is the only purchasing power issued to buy the ultimate product at a price of A and B.

(d) The lowest level to which prices can be reduced under the present system, is Total Cost plus the profit sufficient to act as an incentive to produce. But that level is always too high for the home consumer to afford it. For this reason, an increase in the supply of Ultimate goods to the home market does not result in a reduction of price low enough for them to be disposed of therein; it only results in them remaining in the warehouse unsold, until they can be disposed of abroad.

The manner of Issue.

1. The effective demand of the home market is the total amount of the wages, salaries and dividends issued to the home consumer. By far the largest proportion of this total is the amount paid out in *Wages*. This amount depends, even during short periods, upon the Producing Machinery being at work. Hence, if for any reason, the Producing Machinery starts to slow down, the Wages issued are less, the home market is to that extent contracted, and the Producing Machinery works still slower in consequence—unless the foreign market can supply a demand for its goods, and enable it to keep up its rate of working.

2. But one of the immediate causes of the present situation is the collapse of foreign markets. This collapse has led to a slowing up in the Producing Machinery. This slowing up has caused unemployment, and hence has caused a reduction in the total wages issued to the home consumer. The home market has thus been contracted in addition to the foreign market, with a further damaging effect upon the Producing Machinery.

3. It has been suggested that we should re-establish the foreign market, by reducing costs of production, of which wages are a large proportion. This would, therefore, involve supporting the foreign market at the expense of our own population, to serve whom the Producing Machinery exists. And even if the wage earners and the employers should consent to a reduced standard of living, there is no guarantee that the reduction will be sufficient to re-establish the foreign market, for Germany, at least, is following an inflation policy, which gives her Producing Machinery the benefit of the exchange (so-called " favourable " to us).

4. Money is largely issued in the form of Loan Credits by the banks. It is only loan credit, in addition to foreign money, which can absorb the surplus goods unsold in the home market, owing to the fact already stated that the total purchasing power of the home consumer is always less than the total prices of the goods against which it is issued.

But banks are interested only in the return to them of the credits they create, and not in the kind of goods which are produced as the result of those credits. The effect of this can be illustrated by two examples :

(a) Since the introduction of machinery into industry, owing to the inability of the home market to absorb all the goods produced, manufacturers have sought foreign markets. Banks, when assured that these existed, have been willing to create credits by means of which factories and plant have been set up in this country *in order to supply the foreigner.* And not merely that he might exchange for the goods supplied to him, the raw materials essentially needed by this country. For the U.S.A., which could be self-supporting, has also been compelled to export in order to find a market for its surplus goods, and like this country, has more than two millions unemployed at this moment and many others who are accepting a reduced standard of living, because the foreign markets have collapsed.

Our industrial history has therefore been the history of the development of a tremendous Producing Machinery, for we have been forced by the money mechanism, to export Ultimate goods in exchange for raw materials with which to make Development goods, which, in their turn, have provided further Ultimate goods *for export.*

(b) A certain armament firm in this country has machinery which could be adapted to provide Ultimate goods for this nation. At the present moment, it is making munitions of war for a foreign Power. The reason is plain. Unless this firm is producing *something*, its members, whether they draw their money from wages, salaries or dividends, will become poor. But the Ultimate goods, which it might produce for the home market, cannot be produced because there does not exist an *effective* demand sufficient to absorb them. A foreign Power obtains a large loan, a created credit, from international financiers. That credit provides the effective demand which can set the Producing Machinery working to provide the goods, which its possessors desire. These goods happen to be munitions of war, which may one day be used against this country to destroy both its wealth and its inhabitants.

But the members of the armament firm cannot refuse to produce these goods, which may ultimately be used for their destruction, because if they did so, they would undoubtedly have to accept immediately a reduction in their standard of living.

The Control of Issue.

1. At present Financial Credit (or Money) is only issued by banks who possess the monopoly of its issue. Even when the banks were threatened with disaster at the beginning of the War, the nation did not take over the issue of financial credit, but permitted the banks to make use of the national real credit, represented by a small issue of Treasury notes for their own purposes.

2. However disinterested and patriotic the managing bankers may be, since the banks have shareholders, credit must on many occasions be issued or withheld in the interests of the shareholders, and not in the interests of the nation. For example, it cannot possibly be to the interest of the nation that one of our engineering firms should be making munitions of war for a foreign Power, rather than commercial airships or motor cars or electric cookers for our own population.

3. Also, safe banking is limited by adherence (or quasi-adherence) to the gold standard. The maximum of trade which is possible is limited by the volume of credits created by the bankers, irrespective of the existence of an unsatisfied demand for goods, and of the productive ability to meet it. This, added to the free gold-market, places our industries at the mercy of foreign speculators. In 1896, by the withdrawal of eleven millions of gold sterling from this country, British industrial securities, as a result of the ensuing restriction of credit, in ten weeks fell over £100,000,000 in value, thus enabling the same foreign speculators to obtain control of certain industries by buying the shares which had been thrown on the market.

The present deflation policy, which has largely increased the national debt to the benefit of the chief shareholders in War Loan, who possess also the controlling interest in the amalgamated banks, undoubtedly produced much of the slump which preceded the coal strike.

For restriction of credit means restriction of Production, and restriction of Production means a diminished ability of the home market to consume, and a diminished demand in the home market means a further restriction of Production.

4. Since bank-credits are issued before the goods produced, as a result of them, come into the market, prices are always inflated during a trade "boom," so that the average consumer is no better off. When the "boom" becomes too pronounced, the bankers reverse the process, and engineer a "slump" like the one this spring, which results in unemployment and strikes, to the misery of the average consumer.

(d) The Solution of the Problem

Preliminary.

In order to remedy these three faults in the Financial Mechanism of industry, namely, the fault in

(1) The *Rate* of issue of Money,

(2) The *Manner* of issue of Money,

(3) The *Control* of the issue of Money,

it is proposed by a new Financial Machinery working automatically,

1. To re-establish the home market by reducing the price of Ultimate goods (e.g., domestic coal), and to issue purchasing power to the home Consumer through the usual channels sufficient to absorb all the goods which it has been estimated that the Producing Machinery can supply.

2. By establishing a Producers' Bank for each large group of industries (e.g., the coal industry), based upon the real credit of such industries, to reduce the chances of a collapse in the home market owing to unemployment. Both salaried and wage-earning classes will share in the profits resulting from the activities of these banks.

An outline of the proposals.

1. *A new basis for Prices.* Ultimate goods (e.g., domestic coal) will be sold at *less than Cost*, at the same fraction of Cost (which is to include all dividends and bonuses) as the Total Consumption of all Commodities bears to the Total Production of Real Credit over a selected period of time. By this method, *prices to-day would be reduced to about quarter Total Cost.*

Development goods (e.g., industrial coal) will be debited to users at Cost plus an agreed percentage.

The Price of goods for export (e.g., coal) shall be fixed from day to day in relation to the world market and in the general interest.

The Government shall reimburse to the owners (e.g., the colliery owners) the difference between their Total Cost incurred and their Total Price received, by means of Treasury notes, such notes being debited, as now, to the National Credit Account.

2. A Producers' Bank shall be established, in which all persons engaged in the (MINING) industry shall be shareholders *ex officio*. The Boards of Directors shall make all payments of wages and salaries direct to the Producers' Bank in bulk. The Bank, as such, shall pay no dividend, but from the date of its establishment all subsequent expenditure on capital account shall be financed jointly by the (Colliery) owners and the Producers' Bank, in the ratio which the total dividends bear to the total wages and salaries. The benefits of such financing done by the Producers' Bank shall accrue to the depositors in the form of bonuses distributed amongst them per capita, paid out of the dividend earned by the shares held in trust for them by the bank.

A New Basis for prices.

1. At present, Price contains not only output cost, but development cost also. At present expenditure on development is not placed to Profit and Loss Account, but to Capital Account. But although the shareholders are not charged, qua shareholders, by a reduction in dividend on account of capital expenditure, they are charged qua consumers, since Price contains capital charges.

It is proposed that capital expenditure should be recognised as such in the national credit account, and that owners should receive financial credit from the Treasury to balance the real credit of their industries.

2. It is well known that when he buys an article, the consumer often does more than consume the national wealth by an amount represented by the labour value of that article. His demand for that article may result in new plant being set up by an enterprising producer, the cost of which is again charged to the consumer. In fact, the consumer not only consumes wealth, but is also a factor in its production. Increased consumption, so far from reducing the ability of industry to deliver goods as, when and where required, actually increases that ability by acting as a stimulus to Development. For example, the enormous demand upon the Producing Machinery during the War has led to an increase in its ability to deliver goods amounting to fifty per cent. according to more than one estimate.

It is proposed that in future the Consumer should benefit from the development of real credit (i.e., ability to deliver goods as, when and where required).

3. (a) The periodical issue of Treasury notes will not result in an inflation of currency, for it will only represent in money the expansion (or contraction) of real credit during each period.

(b) The issue will not result in that increase of prices which at present always results from an expansion of bank credits, but, on the contrary, it will be one of the means by which prices will be immediately reduced below their present high level.

(c) These Treasury notes will always be accepted by foreign traders in payment of goods, since they can always be honoured in our country, on demand, in goods. For their rate of issue will vary directly with the ability of the Producing Machinery to deliver goods as, when and where required.

To take a fantastic example. If many consumers should go mad with joy at their increased purchasing power, and should use it to buy factories which they immediately destroy, the ratio of Consumption to Production would rise from (say) quarter to (say) half. As a result, Prices would rise proportionately, and the following issue of Treasury notes would be proportionately decreased.

4. *Prices of Development goods* (e.g., industrial coal). The immediate effect of the scheme would probably be to effect a small decrease in the price of industrial coal. When the scheme is applied to other industries in the country, industrial coal will be debited to users at Cost, not at Cost plus an agreed percentage. This latter is simply a form of lever to influence other industries to apply the scheme.

5. *Export Prices.* When Ultimate goods are sold to the Consumer, the amount by which the total wealth of the country is decreased thereby, averaged upon those particular goods, is represented by (say) quarter Total Cost. Therefore the minimum price at which such goods can be sold, *whether they are sold to foreign or home consumers*, must be quarter Total Cost. If it is thought advisable, such goods might be sold to the foreigner at a price higher than quarter Total Cost according to the world-price level. But the *lowest* price at which they could be sold to the foreigner, without being sold at a loss, would be (say) quarter Total Cost.

Hence it will be possible under this Credit Scheme for British industries to undersell the foreigner in his own markets, unless he follows our example and introduces a similar scheme.

6. *Practical Difficulties.* The scheme does not entail any form of Government interference with the administration of particular, or any, industries. Nor does it entail the elimination of the competitive spirit of private enterprise from industry. Nor does it entail the provision of new penalties for new offences.

The ratio of Consumption to Production will be published at certain intervals, much as the Bank rate is published to-day. Should a manufacturer consider that he would gain by selling his goods at a higher price than (say) quarter Total Cost, he may do so, if he can find a market. But he will only draw from the Treasury sufficient notes to balance his Total Price Received with his Total Cost Incurred. Should he consider that he would gain by selling his goods at a lower price than quarter Total Cost, he may do so. But although he may possibly acquire some small advantage by obtaining new openings for his business, he will have to pay for them. For the Treasury will only issue to him sufficient notes to balance with his Total Cost Incurred, his Total Price *which he should have received,* if he had sold his goods at the current price ratio.

A New Cure for Unemployment Evils.

By means of the Producers' Bank, the wage will gradually give place to the dividend as a basis for the issue of money to the Consumer. Those engaged in Production will draw, as before, a remuneration either in the form of wage, or salary, for their work. But as time goes on they will become less dependent on such remuneration for existence. This will result in three important changes in the development of industrial life.

1. There will no longer exist a deterrent to Invention. At present, wage earners are hostile to the introduction of labour saving devices, since these tend to take employment from them, when practically the only purchasing power issued to them is in respect of such employment.

2. A temporary restriction in Production by one group of industries will not have such an immediate effect upon Consumption, as it does at present, and will not immediately cause other industries also to restrict their production.

3. Gradually the necessity for unemployment doles will be diminished, until eventually it will be removed.

Conclusion.

Solution, Revolution or War.

The Credit Scheme here outlined, is the only practical solution which has yet been put forward to a menacing problem. It is indeed the only alternative at present to a policy which must lead to revolution or war.

The wage earning classes, of this nation at any rate, will never submit to be pressed back by so-called economic laws, into the position of virtual slavery. Having fought and suffered for their country, they claim not unreasonably, that they should be offered the opportunity to rise progressively to better standards of living. But until the scheme was put forward, there appeared to be no way of allowing them to get richer, without making others poorer in consequence. This Credit Scheme does provide a way in which not only may the wealthy remain wealthy, but the poor may gradually become wealthy also.

If every industrial nation continues to neglect the precaution to re-establish its home market, the fight for foreign markets must and will develop into a fight to live. From that economic fight, war must inevitably arise, in which Western civilization will sustain new and more terrible wounds, which it may not survive.

PART II.

The Draft Scheme for the Mining Industry.

[The following exemplary Scheme, drawn up for special application to the Mining Industry, is designed to enable a transition to be effected from the present state of industrial chaos to a state of economic democracy, with the minimum amount of friction and the maximum results in the general well-being.]

Draft Scheme.

I.

1. For the purpose of efficient operation each geological mining area shall be considered as autonomous administratively.

2. In each of these areas a branch of a Bank, to be formed by the M.F.G.B., shall be established, hereinafter referred to as the Producers' Bank. The Government shall recognise this Bank as an integral part of the mining industry regarded as a producer of wealth, and representing its credit. It shall ensure its affiliation with the Clearing House.

3. The shareholders of the Bank shall consist of all persons engaged in the Mining Industry, ex-officio, whose accounts are kept by the Bank. Each shareholder shall be entitled to one vote at a shareholders' meeting.

4. The Bank as such shall pay no dividend.

5. The capital already invested in the Mining properties and plant shall be entitled to a fixed return of, say, six per cent., and, together with all fresh capital, shall

continue to carry with it all the ordinary privileges of capital administration other than Price-fixing. Depreciation shall be set against Appreciation.

6. The Boards of Directors shall make all payments of wages and salaries direct to the Producers' Bank in bulk.

7. In the case of a reduction in cost of working, one half of such reduction shall be dealt with in the National Credit Account, one quarter shall be credited to the Colliery owners, and one quarter to the Producers' Bank.

8. From the setting to work of the Producers' Bank all subsequent expenditure on capital account shall be financed jointly by the Colliery owners and the Producers' Bank, in the ratio which the total dividends bear to the total wages and salaries. The benefits of such financing done by the Producers' Bank shall accrue to the depositors.

II.

1. The Government shall require from the Colliery owners a quarterly (half-yearly or yearly) statement properly kept and audited of the cost of production, including all dividends and bonuses.

2. On the basis of this ascertained Cost, the Government shall by statute cause the Price of domestic coal to be regulated at a percentage of the ascertained Cost.

3. This Price (of domestic coal) shall bear the same ratio to Cost as the total National Consumption of all descriptions of commodities does to the total National Production of Credit, i.e.,

⁂ Cost : Price : : Production : Consumption.

$$\text{Price per ton} = \text{Cost per ton} \times \frac{\text{Cost value of Total Consumption}}{\text{Money value of Total Production}}$$

[Total National Consumption includes Capital depreciation and Exports. Total National Production includes Capital appreciation and Imports.]

4. Industrial coal shall be debited to users at Cost plus an agreed percentage.

5. The Price of coal for export shall be fixed from day to day in relation to the world-market and in the general interest.

6. The Government shall reimburse to the Colliery owners the difference between their total Cost incurred and their total Price received, by means of Treasury Notes, such notes being debited, as now, to the National Credit Account.

PART III.

What the Mining Scheme would Effect.

1. The former rates of Wages could be resumed at once: no reduction of Wages-rates.

2. The former Salaries and Dividends could be resumed: no reduction of Salaries or Profits.

3. The price of domestic coal could be reduced to one quarter of its present level.

4. The existing ownerships, directorates and managements could be continued: no "attack" upon Capital, Private Property, or the legitimate exercise of the privileges of Capital administration—price-fixing alone excepted.

5. The Miners' Federation would be enabled to become (*a*) financial partners in the industry; (*b*) joint partners in control; (*c*) joint owners of the Capital and Credit of their industry.

6. The strongest incentive to efficiency in the reduction of Costs is provided.

7. At the same time, competition is maintained as the mainspring of enterprise.

8. Prices, beginning at one quarter of their present level, could be progressively reduced as the efficiency of the nation's industry was increased.

9. The Price of export coal could be fixed in accordance with policy and irrespectively of the " world-market." We could have all the trade we could handle.

10. No more strikes or lock-outs in the industry.

11. The Miners' Federation would become a responsible factor in the industry.

12. The example set by such a settlement in the coal industry would be quickly followed in other industries, with the result that prices all round would fall 75 per cent., while leaving all the parties satisfied.

13. The financial monopoly, now exercised by a few individuals to the disadvantage of the whole community, would be definitely broken.

14. An end would be put to the *mistaken* antagonisms of Labour, Capital and the Community. These three are mutually necessary and have no real cause of quarrel. They have been kept divided by the private controllers of credit-power. The Scheme would re-unite them.

15. No nationalisation is involved.

16. No expropriation.

17. No bureaucracy.

18. No trustification in the interests of high prices.

19. No political interference of any kind whatever.

20. No centralisation of power or control.

21. No violent or enforced change in any of the existing administrative arrangements. All that would *immediately* occur, on the adoption of the Scheme, would be (*a*) the resumption of work and (*b*) a 75 per cent. fall in domestic coal prices at the pit-head.

22. The Miners' Federation would be transformed from a Trade Union fighting for wages against the Owners

over the prostrate body of the Consumer into a Guild engaged in producing for itself and the community: end of the *destructive* period of Trade Unionism; beginning of the *constructive* period.

23. The practical answer to Bolshevism, Marxian Communism, and all other "Left" movements demanding the "abolition" of the "capitalist system."

24. The "poor" would tend to become rich without requiring, as a condition, that the rich should become poor.

25. Except for a handful of power-fanatics, everybody in the community would find himself better off immediately, and on the way to progressive betterment. Nobody, save the aforesaid, would suffer in the smallest degree; but all would benefit.

[Note.—Enquiries relating to the Scheme may be addressed to Major C. H. Douglas or to the Editor of "The New Age," 38 Cursitor Street, E.C. 4.]

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