"SOCIAL CREDIT" AND THE PETIT-BOURGEOISIE

By MAURICE DOBB

THE *petit-bourgeois* mind to-day is being acutely affected by the cracking of the economic foundations of its little world. In more "normal" times the *petit-bourgeois* is wont to contemplate this little world, in the manner of pre-Copernican astronomy, as revolving round himself and his small privileges or possessions. Hence when the disturbing force comes it presents itself to him as some bolt from the blue—some monstrous abnormality, or act of the devil. Formerly he looked round for an individual villain of the piece and for an individual saviour to set things right. To-day the *petit-bourgeois* who has read his H. G. Wells and his Sir James Jeans regards the economic world as a machine, attributes all evil to a simple mechanical flaw in its running, and calls reason and the "expert" to his aid to put the machine in running order again.

To such a *petit-bourgeois* rationalism the Social Credit theories which are current to-day make a strong appeal and are attracting a considerable following. While their particular manifestations are various, all alike share this common feature. To put it in Marxist terms they claim that the contradictions of capitalism exist primarily in the sphere of the circulation—in the monetary mechanism—and that a "rational" alteration of this process of commodity-circulation will suffice to inaugurate the millenium. For such theories the class basis of capitalism does not exist, or is of subordinate importance. Not the hunt for surplus-value and production for profit, not the individual ownership of the means of production and the exploitation of a dispossessed proletariat, but a simple mechanical flaw in the way in which money circulates is responsible for the present crisis, for poverty and for unemployment. Not a social revolution—a question of class power and class ownership—but a simple alteration in accounting methods is what is required to set things right. Capitalist and worker alike, have a common grievance against "Finance" and the credit system.

So far as scientific pretension goes—and this is a principal attraction to the *petit-bourgeois* mind—the various species of Social Credit theory have a common root in the theory associated with the name of Major Douglas. The kernel of Major Douglas' theory consists in a simple diagnosis of the "flaw" in the present system. From this diagnosis the whole of the rest follows : on its validity the adequacy of its practical proposals depends.

This " flaw " is so simple that one is surprised that no-one has thought of it before! Purchasing-power, says Major Douglas (whether in the hands of capitalists or workers) is created by payments made to individuals in the course of the productive process. These payments Major Douglas calls " A payments." But the cost of goods turned out by the productive process and placed on the market for sale is made up, not only of A payments, but also of " payments made to other organisations (raw materials, bank charges and other external costs)," which he calls " B payments." " Now, the rate of flow of purchasing-power to individuals is represented by A ; but since all payments go into prices, the rate of flow of prices cannot be less than A + B . . . Since A will not purchase A + B, a proportion of the production at least equivalent to B must be distributed by a form of purchasing-power which is not comprised under A."[1] Therefore, unless the banking system adopts a policy of continually expanding credit (*i.e.*, of inflation), goods equivalent to B must remain unsold. To remedy this, it is proposed so to control the credit and pricing-process as to reduce prices compulsorily below cost (A + B)—roughly in the ratio which B bears to A + B ; and to make up the resulting loss to manufacturers and traders by the issue of special credits through banks specially created or reorganised for this purpose.

The fallacy lying behind this pretentious discovery is also a simple one. It is that *B payments become A payments at an earlier stage of production.* It is the familiar fallacy of composition—of looking at the position of one firm alone and in isolation, and then generalising from it to the whole, instead of viewing the whole as a unified process. For instance, the " costs " of iron divide into payments to iron workers and iron capitalists (A payments) and payments for coal and ore (B payments). But the latter (the price paid for coal and ore) becomes payments to workers or capitalists (A payments) at the earlier mining stage of production. To this objection the Douglasist usually retorts that such B payments will not resolve into A payments *in the same unit of time.* But this is not true, if a constant rate of production is maintained, and a constant level of credit-financing by the banks (*i.e.*, renewals of credit equalling credit-repayments). Then the amount of coal being bought by the iron industry each month will equal the amount of coal being currently mined (and hence the current flow of wages and profits in the mining industry). Only if a crisis has *already intervened* (*i.e.*, from some *other*, and more fundamental, cause), with a resulting declining rate of output and of employment, will this cease to be true.

[1]*Credit Power and Democracy*, 21-2 ; also Capt. W. Adams, *Real Wealth and Financial Poverty*, 215 *seq.*, c.f. more recently a pamphlet published by the Douglas Credit Movement of Victoria, *Social Credit Lecturing Technique*, where this proposition is reproduced verbatim, and *The Nation's Credit* by C.G.M.

Of course, it is true that capitalism is marked by a wastage of productive powers and by the neglect and decay of latent potentialities of science and rational organisation. It is true that in the phase of crisis, which has now become chronic, derangements of the monetary and credit mechanism supervene and exact a further, and cumulative, influence on the industrial situation. But the Douglas theory makes no mention of the deeper causes of recurring crises and wastage of productive powers which lie in the *class* nature of capitalist production as *production for profit*—as a hunt for surplus-value. What appears to the *petit-bourgeois* eye as " under-consumption " is simply one facet of capitalist over-production—that is, expansion of production beyond the point which yields a " normal " profit to capital. Capitalist over-production is entirely relative to *profit*, and for that reason does not exist in the socialist economy of U.S.S.R., since every expansion of production can always be distributed then by the simple device of lowering the price or by raising wages. But capitalist over-production cannot be cured in this way, since it is a " solution " at the expense of profit. The now-discredited Fordist " solution " of higher wages is no solution under capitalism, precisely because dearer labour must mean less surplus-value. For the same reason, all the familiar " nostrums " of " more spending " or " more purchasing power " (*i.e.*, inflation), can have real meaning only as more spending by *capitalists* (*i.e.*, less accumulation and more luxury-parasitism) or else as *lower real wages* for the workers. And that in fact is what all these " spend more " and " inflation " campaigns amount to *in practice*.

But to analyse " Social Credit " in its purely technical aspect is neither to dispose of it nor to reveal its full political significance. Indeed, its technical pretensions seem, in the main, to be simply a rationalistic focus for deeper political attitudes. The movement represented by Douglas himself is actually rootedly conservative. Douglas began his *Credit Power and Democracy* by an attack on the " fallacies of Marxianism." He put forward his scheme expressly as an *alternative* to the " misdirected " aspirations of the post-war Labour Movement towards Socialism and Workers' Control; and he defines his critique as being levelled only at " certain features of the so-called Capitalist System." His aim is merely by appropriate " lobbying " of " key " individuals (Treasury officials, Ministers and big business men) to persuade them by the conviction of pure reason to operate his scheme, while leaving capitalism in all other respects to continue intact. In his scheme of change the workers have no place. Said the Social Credit organ, *The New Age* (October 16, 1924): " There is nothing to prevent its *immediate* inauguration by the Government and the Banks. . . . . It solves the problem of harmonising the interests of the capitalist and the worker within the industrial system." Says *The New English Weekly* (January 26, 1933): "If by Capitalism is understood the system of competitive production for profit, it can be said that the required change would not involve its destruction but only its regulation."

But in its more popular aspect, as a popular *movement*, it has a much more radical significance. And precisely here the purely technical arguments of its master have less weight. Here it shades off, on the one hand, into the various kindred brands of "credit-crankery" (the "consumers' credit" of Foster and Catchings and the vaguer Technocracy in U.S.A.; the "inflationism" sponsored by some academic economists in this country), and, on the other hand, into the various "under-consumption" theories which advocate "more purchasing power" for the workers and *petit-bourgeoisie* as a "cure" for capitalism in crisis. All of these are knit together by a vague anti-capitalist discontent, which, because it has no roots in the working-class struggle, is deluded by appearance into blindness to the real nature of things, and focuses its criticism, not on the fundamental class contradiction of capitalism, but on certain *aspects* of things which come closest to the *petit-bourgeois* eye—the aspect of consumption and of purchasing power. While this heterogeneous movement is radical and anti-capitalist in its roots, and can even at times claim to be "revolutionary" in its temper, its ideology is in fact reactionary and counter-revolutionary. For the common factor of all these credit and consumption theories is the belief that the evils of capitalism can be cured, *within* the class framework of capitalist society, by readjustment of the monetary and credit mechanism. The banker becomes the devil of the piece (with sometimes the *rentier*, fattening on deflation, added to his retinue). Let the capitalist class (itself the fellow-victim of finance) remain and prosper; but let a different pilot be put at the wheel of the credit-machine.

It is in this dual aspect—its radical appeal and its reactionary objective—that the purely Fascist significance of all this Social Credit ideology becomes plain. The novelty of Fascism as an historical movement—the product of capitalism in decline—is that it combines the adoption of gangster-politics to smash the working-class movement with an elaborate demagogic façade of "radical demands" to attract the *petit-bourgeoisie* and declassed elements, radicalised by the crisis, and so to prevent their union with the working class. We now know beyond need of further witness the rôle which Social-Democracy plays in preparing the way for Fascism. So here we see the British Labour Party making its bow to the ideology of Social Credit by focussing the issue at the last election, not on class against class, but on "the bankers' ramp." It does not matter that the "radical demands" which Fascism uses are hollow and meaningless. Such it is their purpose to be: to be valued solely for their effect upon the ear. Mixed with a modicum of bribes—the spoils of *pogrom* movements and some " welfare schemes " for the faithful—such high-sounding slogans do their work in bewitching the *petit-bourgeois* mind, precisely because the latter has no deeper vision into capitalist society. Similarly the influence of Social Credit ideology lies in its pseudo-radicalism, in its scientific pretence and its appeal to reason. Its significance lies in its setting up of the expert as against the working-class movement, and in canalising *petit-bourgeois* discontent with capitalism, instead of into revolutionary politics based on a Marxist understanding of the process of history, harmlessly against certain sham " bogeys."

That to attribute such Fascist significance to the Social Credit ideology is no idle debating abuse, is shown by a number of facts. Mosley started his independent career with excursions into Social Credit; and while to-day he has put " planning " and the Corporative State into the foreground of his propaganda, he makes demogogic use of attacks on financiers and the *rentier* and on inherited wealth. " Our aim throughout " he says, " is to rid productive industry of its financial burdens. . . . We must distinguish (in taxation) between the producer and the usurer " (*Greater Britain*, p. 130). Ezra Pound, the latest convert to Social Credit from the ranks of the former guild Socialist *The New Age*, mixes praise of Mussolini with advocacy of Major Douglas.[2] It is well known what a part has been played in Hitler demagogy by the talk about the " Jewish bankers " and " international finance "; and Wyndham Lewis in his eulogistic study of *Hitler* points out that the economic program of the Nazi Party is based on the claim that " the arch-enemy is not *Das Kapital* pure and simple, as with Marx, but *Das Zeih Kapital*, or Loan Capital " (p. 148). " Hitler was a sort of inspired *German peasant*," says Wyndham Lewis. " The characteristic interests of the peasant-proprietor and small trader are here found written all over these programmes of reform. . . . The interest of the industrialist, so it seems, is in many ways identical with that of the peasant. . . . There you have at Hitler's side the great German industrialist Hugenberg. . . . What in the field of practical politics spurred him to action may be summed up in the one word *Debt* " (pp. 156, 176, 177-8). " The whole of this Hitlerist movement is, on the economic side, little else but a most revolutionary form of credit-crankery ! " (p. 164).

Wyndham Lewis then proceeds to point out that this ideology is virtually the same as that of the Douglas movement sponsored by T. S. Eliot, the Anglo-Saxon high priest of aristocratic cultural conservatism; as that outlined in the original Mosley Memorandum; and as much of the ideology of the Labour Movement. (He quotes a speech by Kirkwood and comments: " With a few slight changes that could be an address by

[2] *A.B.C. of Economics.*

a Hitlerist deputy"—pp. 200-1).[3] Says the Hitler program: "In credit-slavery all peoples and governments find themselves, who bow to the might of Loan Capital."

Concrete evidence that the attitude of the leaders of the Social Credit movement to the working class is closely parallel to that of a Hitler or a Mussolini is shown by a "Social-Credit Scheme for Scotland" recently prepared by Major Douglas himself.[4] As conditions of his scheme for a "national dividend" to all he includes the following:—

> Wage-rates in all organised industries to be reduced by 25 per cent.
>
> Any trade union violating a wage agreement to render its membership liable to suspension of national dividend.
>
> "For a period of five years after the initiation of this scheme, failure on the part of any individual to accept employment in whatever trade, business or vocation he was classified in the last census . . . would render such individual liable to suspension of benefit in respect of the national dividend."

In other words, the "national dividend" is to be used as an instrument to weaken trade unions and to coerce individual workers.

Clearly it is important by a wider popularisation of Marxism to sap the intellectual basis of such theories. At the same time this by itself is not enough. The basis of such beliefs will have to be undermined by concrete experience—concrete experience of the class realities of capitalism. The development of the militant working-class movement itself is the only sure antidote to Fascism, as also to its satellite creeds—the growth of a militant movement which, on the basis of the class struggle, draws the radicalised elements of the *petit-bourgeoisie* into united front activities, in which they learn by concrete experience of political struggle what is the real nature of capitalism and where the only complete solution for the collapse of civilisation lies. Of special moment in this connection is the spreading of knowledge in the widest circles of the achievements of socialist construction in U.S.S.R.: of the way in which the productive forces are simultaneously unleashed and harnessed anew under the planned socialism of a Workers' State. This needs to be done, not in the manner of painting a paradise or of chanting a "hallelujah chorus"; but by showing how achievement comes, not like manna from heaven, but by Marxist handling of an historical problem and by the concrete handling of each situation in its turn and in its setting. And that is one aspect of the crucial importance of united front activity at the present hour.

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[3] It is perhaps significant that the leader of the Labour Party should write a Preface to a recent book entitled *Free Money: a Way Out of the Money Maze*, in which the "Gesell Scheme" of money reform is advocated. Mr. Lansbury says: "Labour will fight for national control of banking and investment institutions."

[4] Published in *The Evening Times* of Glasgow, March 11, 1932.