The Political Theory of Social Credit

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THE POLITICAL THEORY OF SOCIAL CREDIT*

THIS paper is concerned with the political theory developed by Major C. H. Douglas, the English founder and leader of the Social Credit movement, and not specifically with the ideas of the Canadian Social Credit movement, although the English theory has had a continuous, if not always a decisive, influence on the Canadian movement. Since the Douglas political theory stems from the Douglas social critique we shall begin with the latter.

I. The Social Analysis

The frustration of the engineer by the business control of industry may be seen as the starting point of Major Douglas's social thinking. Deeply impressed by the waste of industrial capacity and potential, Major Douglas developed a sweeping critique of industrial civilization. A man of broad sympathies and with a professional view of his engineering calling, he saw that whatever held back the progress of science in industry made it impossible for the technologist to serve the people and give them the benefit of their heritage. He saw further that the concentration of power in the control of industrial production was only a part of a trend toward concentration of power in government, in trade unions, and in every institution which affected the life and opportunity of every individual both as worker and consumer. In his earliest writings his main concern was to expose this trend toward the submergence of the individual, to establish its pervasive nature, and to warn that it must be defeated if the human quality of civilization was not to be destroyed. His case was presented with restraint and with telling effect. His recommendation of a monetary device, which later became commonly identified with social credit, as the most probable direction in which a solution might be found for freeing men from the tyranny of concentrated power, was also presented with restraint in the writings of the first few years, and was subordinated to the main analysis. His point was that men could not be free in any other way until they had secured a freedom of choice, both as producers and consumers, and a level of material well-being which the existing system of production and distribution denied them. The economic system must therefore first be reformed. Socialism was not the answer, since it would mean still further centralization of economic and political power. Monetary reform was the answer because it could destroy the mechanism by which economic power was being increased and by which the material well-being and the freedom of the individual were being diminished. Always Major Douglas presented monetary reform merely as a means toward the end of establishing a new society in which human beings would be free to develop their individuality in a way that had never been possible before.

What gave the Douglas movement its persistent strength, even after the fallacy of the social credit monetary theory had been repeatedly demonstrated, was its cutting denunciation of existing society and its epochal vision of a new society.

At a time (the nineteen-twenties and early thirties) when orthodox economists continued to believe, in the face of mass unemployment, that the

*This paper was presented at the annual meeting of the Canadian Political Science Association in Halifax, June 9, 1949.

economic system could not suffer from a general shortage of purchasing power, and in which politicians and the press made a fetish of work and urged more production as a remedy for economic problems, it was the merit of Major Douglas to see through these positions and to proclaim that the end of man is not labour but self-development and enjoyment, that the end of production is not employment but consumption, and that the unfettered application of modern technology and modern sources of energy is capable of producing the material basis of a better life for the mass of people while leaving them much more leisure for enjoyment and self-development. It is true that English socialists had been saying this in their own way for a long time, perhaps for too long; in any case, the peculiar merit of Major Douglas was that he was not a socialist.

This was an attractive doctrine. It told men that they were unfree, that their resentment was just. It told them that their civilization had perverted all the human values and was driving toward still greater unfreedom. It drew attention to the growing centralization of power everywhere and pointed to the suppression of individuality which this must entail. It argued that parliamentary democracy had become unreal, since successive governments, empowered by popular franchise, had given the people the opposite of what the people wanted.

These charges against a business civilization and its political institutions were attractive to many who felt or saw the current frustration of humanity in any of its forms, and who had found no way to fight it or who had misgivings as to the adequacy of the way they had found. Those who saw the appalling results of mass unemployment, those who felt the helplessness of the individual as a unit in the mass manipulated by press, politicians, and business, and especially those independent small entrepreneurs and professional men whose position was deteriorating in face of the concentration of economic power; all these were attracted by the direction of Major Douglas's critique. Even some socialists and some sections of the trade union movement were attracted for a time; the nucleus of the first Douglas following was a group of intellectuals won over from the Guild Socialist position. Both Marxian and Fabian socialists rejected the Douglas doctrine, not unnaturally, since their own critiques of existing society were at least as sweeping, and since Major Douglas from the outset attacked their analyses.

The same voice that pressed these charges against contemporary civilization offered an analysis of the causes of the malaise, and offered a remedy of singular attractiveness to the same strata of society to which the critique appealed. The root cause of the malaise was an error in the accounting system of productive industry, an error which had become entrenched in the monetary system and had made it impossible for people as consumers to buy back the goods they had created as producers. On this foundation finance had built its control, first of industry and then of governments. From the policies of financing stemmed all the evils of restricted production, unemployment, the suppression of freedom and individuality, the perversion of labour values, and war. None of these was inherent in capitalism; they were results of the perversion of capitalist enterprise by finance; indeed, capitalism had died

seventy-five years ago and had been replaced by "creditism." The enemy was not capitalism, not the profit system, not the institution of private ownership of the means of production, not the exploitation of labour by its reduction to a commodity. The enemy was finance, the control of credit by an irresponsible oligarchy. From this it followed that capitalist enterprise, profits, private ownership, and the wage relation could all be retained. All that was needed was to restore the control of credit to the people made really sovereign, and thus to enable the simple monetary device of social credit to be put into practice. The device might be either the issuance of a national dividend to consumers, or the issuance of subsidies in aid of lower prices to producers, or both. This would remove the deficiency of consumers' purchasing power which was the root of the trouble, would liberate the productive system, and would make possible the restoration of freedom and the recognition of the human values which had been perverted.

Throughout its resurgence in the early nineteen-thirties the English Social Credit movement appeared to be impervious to the logical annihilation of the monetary theory on which its solution of the world problem was based. The Douglas solution logically stood or fell with the monetary analysis, but the Douglas doctrine as a whole apparently did not. The more fundamental parts of the doctrine, the denunciatory analysis of existing society and the vision of a new, freer, society, were not apparently affected by the undermining of the monetary analysis and proposals. Yet in spite of its seeming imperviousness to economic criticism, the doctrine as a whole was drastically affected; at least it began at this time to undergo a change of emphasis which by 1939 made it almost unrecognizably different.

The change is first noticeable in the formulation of a new political strategy and political theory in 1934, announced in Major Douglas's Buxton speech. In effect the monetary analysis and proposals were relegated to the background, in favour of an analysis of the existing parliamentary system and a demand for its replacement by a "more democratic" method of determination of policy. From now on, the denunciation of parliamentary democracy as a systematic swindle went hand in hand with the denunciation of the financiers as the hidden swindlers. To replace the parliamentary system dominated by bureaucracy and hidden interests Major Douglas offered a new system by which the voters registered their demand only for the most general objectives, and left the methods of, and responsibility for, obtaining the objectives in the hands of administrative experts who were to find the ways and means. Along with this demand for a plebiscitary state went an increasingly strenuous anti-semitism. It became necessary to save the world from the plot of international Jewish finance, with which was allied international bolshevism.

Thus by 1939 Major Douglas had reached a political position not readily distinguishable from the fascist analysis. It should not be thought that there was no logic in the development of social credit theory from the early defence of individuality against the state to the final conception of a Jewish world plot and the demand for the surrender of political intelligence by the individual. All the elements of the final position were present from the beginning.

II. The Political Theory

A rudimentary theory of the state was implicit in the early writings of Major Douglas and was made explicit when he found that his social analysis required it. A theory of political representation follows from the theory of the state.

The state is seen as organized coercive power making and enforcing law. The essential function of the modern state is to subordinate the mass of individuals to a few power-seekers. This it does by enforcing a system of property rights and economic relations which creates scarcity. By creating and maintaining scarcity the controllers of the state compel the people to submit to unremitting work, and control the people by rewards and punishments which would be unworkable without scarcity. The state is thus the product of the will-to-power of an active few. The power-seekers include the leaders of finance, the captains of industry, politicians, and labour leaders. While the leaders of finance are now dominant, the objective of socialist and labour parties is the same as that of finance, namely, the domination of a system over all individual dissent by reducing individuals to economic dependence on the controllers of the system.[1]

It is apparent that the theory of the state stems from the engineer's belief that existing sources of energy and existing technology are sufficient, if rationally used, to produce an abundant standard of living with only a fraction of the present expenditure of human labour. The postulate of potential abundance is the first proposition of the whole Social Credit analysis.[2] Since it is not any lack of technical knowledge that has prevented man from enjoying his heritage, the presumption is that a deliberate human agency has prevented it. If a human agency were setting out to subordinate all individuals to its own control its obvious course would be to create and maintain scarcity by which it could reduce the people to dependence on itself. It would also instil in the people a work fetish, a philosophy which elevates work, or employment, from a means to an end. It would, finally, perfect a political mechanism which would enforce the rules by which scarcity was maintained while creating the illusion that the will of the people prevailed.[3] And these are precisely the institutions of today.

The release of humanity from unremitting toil, which is now technically possible, would mean their release from subservience to the power-seekers, a result so undesired that production for the sake of consumption is no longer the objective of industry.[4] This misdirection of the productive system, by which the goal of production became not consumption but the subordination of the people, is dated from the time of the separation of the worker from ownership of his tools and control of his production policy, a separation which was brought about by the intervention of finance.[5] Finance now increasingly dominates the whole productive system.

[1]C. H. Douglas, *Credit Power and Democracy* (London, 1920), p. 145.
[2]*Social Credit*, July 1, 1938.
[3]C. H. Douglas, *Social Credit* (London, 1924), pp. 90 ff.
[4]C. H. Douglas, *The Monopoly of Credit* (London, 1931), pp. 10-11.
[5]C. H. Douglas, *Economic Democracy* (London, 1920), pp. 40-1.

To reach the conclusion that the modern state is an instrument of coercive force controlled mainly by finance, it is now only necessary to demonstrate that the political institutions of modern democracy are not what they seem, that they do not allow the people's will to be implemented but serve as a screen for the hidden government of finance. In the course of this demonstration the crucial Social Credit assumption of the existence of a real, virtually unanimous, general will is revealed, and from this a novel theory of correct political representation emerges.

The proof that democracy has not allowed the people's will to be implemented is that ever since the democratic franchise was instituted the people have wanted more individual freedom and more economic security, and have completely failed to get them. Since these objectives are technically obtainable the people's failure to get what they want must be the result of a human agency opposing their will. The only agency that has been in a position to do so is finance.

The assumption that there is a nearly unanimous general will for clear objectives, and that the objectives for which there is a general will are the most important objectives that human beings can have, far outweighing in importance any secondary objectives about which people may be divided, plays an important part in the political theory of Social Credit. Indeed, the assumption is stronger than has been indicated; the assumption is that the objectives of freedom and plenty in security are the only "objectives" the people have, and that what have just been referred to as secondary objectives about which there is disagreement are not objectives at all but are merely "methods" of reaching the unanimous objectives. This distinction between objectives and methods is the shibboleth of social credit political theory and it will require further attention in a moment.

On the assumption that there is a real general will for these objectives, it is clear that it has been consistently frustrated. It remains to show how it could be consistently frustrated when the democratic system is supposed to have provided the channels by which the will of the people must prevail. To show this, Major Douglas was not content with the usual explanations of the power of money to dominate political parties and the press, or of the tendency toward bureaucracy within any party. He emphasized rather the "new despotism" argument that cabinet or party responsibility was a screen behind which an administrative bureaucracy gathered into its hands the power to make the decisions.[6] And he took this argument further than usual, and in a new direction.

Of all the characteristics of the party system of democratic government the crucial one, the one which is instrumental in frustrating the will of the people, is the prevailing convention that political parties should deal with "methods" rather than objectives, that voters and members of parliament should concern themselves with matters such as fiscal policy, foreign policy, public education policy, and so on, about which they are incompetent to judge. These matters are, in the Social Credit view, matters of method, not of objective. The

[6]Douglas, *Social Credit*, p. 144.

effect of the prevailing practice is that the people are diverted from insisting on the objectives they want and on which they would be unanimous; instead, the people are divided into opposed parties arguing about matters which they are not competent to judge and on which therefore they cannot agree. Major Douglas has been persistently outspoken about the incompetence of the majority to judge questions of national policy, as they are ordinarily called, that is, questions such as free trade or tariffs, foreign policy and social service policy. Such questions, it must be repeated, are, in the Social Credit view, entirely matters of detail or method or technique. They require intelligence and knowledge which the majority has not got.[7]

Major Douglas has even argued that it is mathematically demonstrable that any decision by popular vote on a "technical" question is bound to be wrong: the more complex a question is, the more certainly only a few people will understand it, and the few will be outvoted by the many who do not understand it.[8] "The majority," he said in 1934, "in matters of detail, in matters of intelligence, is, broadly speaking, always wrong." "Majorities feel, they do not think. Speaking of them as majorities, they simply feel."[9]

To pretend, as the present democratic system does, that the majority can make a competent decision on such matters, is to leave the real decisions to the permanent administrators and the financial oligarchy, and to throw the responsibility for failure back on the electorate instead of keeping it on the administrators where it should be.[10] Nor are elected members of parliament competent to deal with questions of "method." Representatives can neither properly represent the decisions of their constituents—since the constituents cannot make adequate decisions about "methods"—nor can the representatives themselves adequately judge legislative proposals as to "methods."[11]

The present representative system is meaningless because the representatives can do neither one nor the other. Thus the party system is a travesty of democracy, a device for confusing and frustrating the people. It is the modern tyrants' art of deception, the modern form of the old device "divide and rule." It produces a paralysis of the general will by bewildering the mind with a plethora of "methods." It is the technique of those opposed to freedom and security for the people.[12]

The analysis by which these conclusions are reached also indicates the basis for true democracy. The majority, while it is always wrong on questions of method, can be trusted to be right on matters of broad objectives. The majority, suitably enlightened, is quite capable of understanding and being right about such broad issues as whether the aim of the industrial system is to create employment or to produce and distribute goods,[13] and whether they

[7] *Ibid.*, pp. 141-2.

[8] C. H. Douglas, *Security, Institutional and Personal* (Liverpool, 1937), quoted in the *Social Crediter*, Oct. 14, 1944.

[9] *The Douglas System of Social Credit, Evidence Taken by Agricultural Committee of Alberta Legislature*, 1934, p. 95, evidence of Major Douglas.

[10] *Social Crediter*, May 16, 1942.

[11] C. H. Douglas, *The Policy of a Philosophy* (Liverpool, 1937), p. 12.

[12] *Social Credit*, July 22, 1938.

[13] Douglas, *Social Credit*, pp. 142-3.

want more individual freedom with economic security or regimentation without security. We may notice here not only the assumption of a unanimous general will, but the further assumption that the majority will can be taken to express the general will.

Since the electorate is capable of forming and expressing a will only for or against such broad objectives, the electorate should not be required or invited to express its will on any more specific issues. The voters are not to be bombarded with programmes, with alternative or multitudinous methods of reaching the objectives, or with arguments for and against different methods. The people should confine themselves to demanding results. The experts, whether outside or inside the government service, that is, those who actually run the productive system and provide the services society requires, must be allowed to decide on methods and must be held responsible for providing the results demanded. It is a cardinal principle of Social Credit that the administrators assume complete responsibility for their operations.[14]

What then is the role of the elected member of parliament and of the cabinet? Neither the elected member nor the cabinet minister can or should be experts; neither one can or should attempt to make decisions as to the methods by which the broad objectives should be achieved. These decisions can only be made by the men who are actually devising and operating the system of production and distribution.

The function of the elected representative is essentially to be "a representative of a mass desire"[15] transmitting to the operators of the economic system the electorate's desire for results. The legislature and cabinet are also to transmit to the electorate the names of the individuals responsible for the attainment or non-attainment of the result, to remove those responsible for impeding the will of the people or those unable to produce the results,[16] and to substitute other experts. The functions of the cabinet are not clearly distinguished from those of the legislature; presumably the cabinet is to act as a committee of the legislature and perform the same functions at a different level.[17] The party system as we know it would of course disappear, since alternate parties would have no functions to perform.

This fact alone is perhaps sufficient to show the substantial difference between the Douglas scheme of democratic government and the prevailing system, but it should be emphasized that the Douglas theory of the role of the expert *vs.* the representative, in spite of an apparent similarity with the theory and practice of British cabinet government, is also basically different. The apparent similarity is that in both schemes the elected representative and the cabinet minister are not meant to be experts but are meant to shape general policies following the will of the electorate and to require the experts in the civil service to carry them out. In at least two respects, however, the Douglas theory of the relation between representative and expert is substan-

[14] *Social Crediter*, May 16, 1942.

[15] *The Douglas System of Social Credit*, p. 95, evidence of Major Douglas.

[16] C. H. Douglas, *The Nature of Democracy* (London, 1935), pp. 13-14 (the Buxton speech, June, 1934).

[17] *Social Credit*, Oct. 14, 1938.

tially different from the orthodox view. First, in the Douglas theory, the line between policy and administration is sharply drawn so as to leave nothing within the scope of policy but the general will for freedom, security, and plenty. Almost all the questions which now occupy parliaments and cabinets would be left to the administrators. Secondly, the location of responsibility is changed; in the Douglas scheme the administrators would be made personally responsible for their success or failure to produce the results demanded by the cabinet. The cabinet and parliament would not be responsible for anything except abiding by the general will of the electorate and keeping up adequate pressure on the administrators. From this a third difference follows: in the Douglas scheme the civil servants would be removable. And one wonders if a fourth difference should not logically follow: that the representatives need not be removable and would become irremovable: having no responsibility for what is done and not done, they could not be tested by their record in the usual sense, and the only record by which they could be tested would be their vociferousness in pressing the demands of the popular will, a quality in which it is not difficult to be apparently proficient.

In spite of Major Douglas's explicit rejection of totalitarianism there are obvious totalitarian tendencies in the democracy he has proposed. The public is not to be consulted or allowed to argue about "technical matters," and is to be told only enough to allow it to see that its demands can technically be met. Major Douglas's remark, when elaborating his theory of democracy in 1934, that it had already been demonstrated that if you threw a plan to a democracy it would be torn to shreds,[18] reflects more than the justifiable annoyance of a man whose plan had been so treated. There is, too, a curious foreshadowing of manipulation of the masses in the statement that, when the objective has been decided on, it is a technical matter to fit methods of human psychology and physical facts, so that the objective will be most easily obtained.[19] And it appears that the civil service would have to do more than respond to the will of the people: the new civil service would, we are told, have the task of eliciting the will of the people, unifying it, and maintaining it as a steady flow supporting the elected representatives in their task of seeing that the results demanded are provided.[20]

The most recent stage in the development of the Douglas political theory is a denunciation of the whole principle of majority rule. This has been increasingly explicit since 1942. We are told [21] that majorities have no rights and are generally not right, that the attempt to build a system of human relationships on the rights of majorities is not democracy, that genuine democracy is essentially negative, and that a majority ceases to have validity either when it is led to an objective its members do not understand *or* when a minority is forced to accompany it. This denigration of majority rule goes much further than the earlier Social Credit position that the majority was not

[18]Douglas, *The Nature of Democracy*, p. 13.

[19]C. H. Douglas, *Warning Democracy*, 1931, quoted in Mairet (ed.), *The Douglas Manual*, (London, 1934), p. 45.

[20]*Social Crediter*, Apr. 15, 1939.

[21]C. H. Douglas, *The Big Idea* (Liverpool, 1942), pp. 55-7.

to be trusted to make decisions about methods. It now appears that the majority is not to be allowed to *impose* its will about objectives either. The apprehended danger is not only from majorities formed about particular policies or "methods" but also from majorities which support and would enforce broad objectives or "policy," from majorities, that is, which should on the earlier Douglas analysis express the general will of the community.

Major Douglas has apparently lost his confidence that the general will, expressed by the majority, will demand increasing individual freedom; and he wants to put individual freedom first. It has been suggested in a recent issue of *The Social Crediter* that the reason for refusing to accede to majority rule on policy is that the majority, being subject to mass-suggestion, is invariably given the wrong interpretation of any mistake in policy by those who made the mistake.[22] It is also argued, by Major Douglas, that no majority can act without a leader and that the majority-rule principle is therefore merely a form of the leader principle.[23] Both of these arguments may be taken as a reaction against the phenomenon of a wartime government in England which did reflect a nearly universal general will and which enormously increased the centralized control and regulation of individuals and minorities. Writing at the end of the war,[24] Major Douglas was not impressed with the lament that it was a pity the unity of purpose which existed during the war could not be carried over into peacetime; the price of such unity, he held, would be the acceptance of a totalitarian state as in Germany or Russia.

It is not clear whether this recent insistence on limiting majority rule reflects despair that the people can ever be suitably enlightened. The impression one gets is that the majority of the electorate, suitably enlightened, is still held to be the only source of rightful authority but that, whether enlightened or not, the majority must not compel minorities or individuals to conform in anything like the degree to which they are now compelled. Perhaps the phrase "enlightened or not" is unnecessary, for it may be held that if the majority is sufficiently enlightened it could not wish to impose its will on minorities.

Since the general will of the people can no longer generally be relied upon, the Social Credit theory has fallen back on a notion of natural law, which runs through Major Douglas's earlier thinking as well.[25] It asserts an objective Law, inherent in the universe, transcending human thought and human will, to which individuals must accommodate themselves and which cannot be persistently disregarded without destroying society.[26] The principles of Christianity are one manifestation of this law. Another manifestation, in England, is the common law as contrasted with statute law. Another is the principle of division of political power such as used to exist between the King, the Lords, and the Commons.

[22] *Social Crediter*, Apr. 23, 1949.

[23] Douglas, *The Big Idea*.

[24] C. H. Douglas, *The Brief for the Prosecution* (Liverpool, 1945), p. 77.

[25] E.g. *Credit Power and Democracy*, p. 18; *Social Credit*, p. 87; *The Use of Money* (London, 1934), p. 4; *The Policy of a Philosophy*, p. 15.

[26] *Social Crediter*, Apr. 23, 1949, p. 6.

This is the basis offered for the present Social Credit demand that the supremacy of common law over Parliament be restored and that the House of Lords be restored to a position of real power. Both the common law and the Lords should be used to prevent the organic structure of society from being destroyed by unrestricted majority government. The organic structure of society comprises the rights of individuals against society and their obligations to society. These relations of individuals to society ought to be treated as a contract which cannot be infringed unilaterally by society. The present system of unrestricted majority rule permits unilateral abrogation by a House of Commons without a mandate. Hence, the idea that the will of the majority should prevail is a principle of lawlessness, asserting the right to break a contract unilaterally.[27] So, clear limits must be placed on the power of a House of Commons elected on the majority principle.[28]

An interesting application of the Douglas principle of an overriding objective law is found in the editorial advice given by the *Social Crediter* last year to the newly announced Union of Electors in Alberta. They were advised to attach to themselves a committee of bishops and other high ecclesiastical officials from the leading Christian denominations whose function would be to arbitrate on any demands of the electors to keep them in conformity with the Christian ethic, and thus to avoid the fatal fallacy *vox populi vox dei*.[29]

It will be noticed that the assertion of an objective law, equally with the assumption of a unanimous general will, is opposed to the orthodox liberal-democratic theory which sees political society as a series of individuals and groups seeking to secure competing ends, sees politics as a process of compromises and adjustments between competing ends, and dismisses or relegates to the far background any notion of general will or natural law.

The logical culmination of this attack on majority rule came with the denunciation of the secret ballot, which emerged plainly in the Douglas Social Credit literature in 1946 and 1947.[30] The substitution of open and recorded voting for the secret ballot is advocated as a way of reducing the power of a majority-supported government to pass compulsive legislation. The individual voter must be made individually responsible, not collectively taxable, for his vote. Each voter would be more careful about conferring unlimited mandates for new compulsive legislation and new taxation, hoping to vote himself benefits at the expense of his neighbours, if his vote were open and recorded and if taxation were allocated according to the recorded voting for a programme which incurs a net loss. This is Major Douglas's proposal.[31] He further suggests that the substitution of open for secret ballot would imply a large measure of freedom to contract out of legislation. It is not clear to what extent individuals are intended to be free to contract out of legislation for which they did not vote, but one indication is afforded by the fact that in 1948 the Social Credit headquarters sponsored a campaign demand-

[27]Douglas, *The Brief for the Prosecution*, p. 68.
[28]*Social Crediter*, May 24, 1947.
[29]*Ibid.*, Jan. 17, 1948.
[30]*Ibid.*, Feb. 23, 1946 and May 24, 1947.
[31]*Ibid.*, May 24, 1947.

ing that individuals be granted the right to contract out of the English National Insurance and National Health Acts.[32]

III. Social Credit vs. Orthodox Political Science

It would be easy, but not satisfactory, to dismiss the whole Social Credit political theory as the product of an engineer's misconception of the nature of society. The fact that Major Douglas applied an engineer's outlook to the problems of society could, of course, be held to explain much that is questionable in his analysis. The belief, which he has stated categorically, that to any problem there is only one right answer,[33] is natural to an engineer, whose objectives are given to him and whose problem is to devise or choose the means of reaching the objective with the minimum of cost. Carried over to political problems this belief results in a failure to see, or a refusal to entertain the thought, that there may be problems of competing ends. To deny the existence or importance of competing ends is to assume the existence and overriding importance of a virtually unanimous general will for broad objectives. And from this, as we have seen, follows the Douglas theory of political representation with its sharp division between results and methods and between the people and the experts.

However, to explain the whole Douglas theory merely as the emanation of the engineer's mind is not satisfactory, if only because the crucial assumption of a general will is not peculiar to Major Douglas or to engineers. It was held not only by Rousseau but by many nineteenth-century utopians all of whom were reacting against the encroachments of a business civilization on what they held to be basic human values. If an explanation or appraisal of the Douglas theory is to be attempted in terms of its origin it is more likely to be found in some factor common to Douglas and his utopian predecessors, not all of whom were engineers.

Such an explanation will be suggested at the close of this paper, but here it is appropriate to pause and ask whether we are not too ready to assume that the Douglas political theory is an aberration to be set right in the light of orthodox political theory. When this question is asked the answer is by no means obvious. The Douglas critique of the party system is not to be rejected lightly, even though it is flatly opposed by orthodox political science. There is at least a half-truth in Major Douglas's shrewd remark that all respectable analysis of world affairs is complex and that the more complex it is the more respectable it is sure to be. Where, he says, the analysis takes into consideration so many factors that no alteration of any one of them is likely to make much change, it will be commended as a solid contribution to the solution of world problems; yet the attribution of an effect to a complexity of causes is *a priori* an indication of shallow analysis, since the essence of scientific analysis is to move back through a complexity of causes to a basic cause more remote from the effect.[34] Political scientists will prefer to see this as a dig

[32] *Ibid.*, June 12, 1948.
[33] *Ibid.*, Feb. 19, 1944.
[34] C. H. Douglas, *Programme for the Third World War* (Liverpool, 1943), pp. 51-2.

at the Saturday reviewer and the columnist, but we should not be too sure that it does not apply to us.

However this may be, we should not, without re-examining the orthodox theory, assume that the burden of proof is on the unorthodox. This is not the place to undertake an extensive reconsideration of the orthodox theory, but it may be suggested that the orthodox theory of democracy is, in spite of its attempts to assimilate many modern criticisms, still inadequate in somewhat the same way that orthodox economic theory was inadequate at least until Keynes's *General Theory*. Just as orthodox economic theory before Keynes was, without realizing it, dealing with a special case of economic equilibrium (on the assumption that full employment of resources was normal) rather than with the general case, so, perhaps, orthodox political theory, which explains the alternate-party system[35] as an essential mechanism of modern democracy, may be, without realizing it, dealing with a special case of democracy rather than with the general case.

Orthodox political theory holds that the alternate-party system is essential to modern democratic government in two ways: first, as a brokerage apparatus to sift and bring together into two or a few groupings the multitude of divergent and not fully compatible interests so as to give due weight to each and not destroy any; secondly, as a safeguard against permanent oligarchy by providing always an alternative body of occupants for the positions of political power. The postulates on which this theory is based have not generally been closely examined, and they are neither self-evident nor necessarily permanently characteristic of democracy.

The orthodox theory recognizes, of course, that the system can only operate on the postulate that class division in the society is not so strong as to prevent any class from accepting the verdict of the polls: in Lord Balfour's oft-quoted phrase, "our whole political machinery pre-supposes a people so fundamentally at one that they can safely afford to bicker."[36] Having established this postulate the orthodox theory has generally moved to a converse position and focussed attention not on the degree of class division that does exist but on the diversity of a whole multitude of group interests—religious, occupational, geographic, temperamental, moral, and so on. Perhaps the last liberal-democratic writer to emphasize the problems arising from class division was John Stuart Mill, though it was widely emphasized in earlier English and American writing on democracy. So the postulate of orthodox theory has come to be that the essence of democratic society is the multitude of group interests, and that the essential function of the democratic state is to adjust these interests, none of which can be satisfied except at the expense of others.

This postulate has been true, if at all, only of a brief period in the latter part of the nineteenth and the early part of the twentieth century. The

[35]The term "Alternate-party system" is used in this paper to include two-, three-, and multi-party systems, and to distinguish all these from the one-party system; some such terminology is needed since some recent writers have used "party system" to refer to everything from a one- to a multi-party system.

[36]Introduction to Bagehot's *The English Constitution* (London, 1933), p. xxiv.

adjustment of multitudinous group interests is the *primary* task of democratic political institutions only in a peaceful and expanding society the economic and political power relations of which are generally acceptable, so that there is no strong or urgent pressure to establish or, having established, to consolidate a new structure of economic class relationships. It is for such a society that the need of the alternate-party system can be shown by the orthodox arguments. But to say that only such a society can be democratic is to take a very special view. Political scientists up to about the middle of the nineteenth century generally understood democracy to mean the rule of one class and democratic society to mean one dominated by that class; and, except for a few zealots like Rousseau, they feared democracy for that reason. Democratic revolutions such as Cromwell's, Robespierre's, and Lenin's produced something close to one-class democracies, which have not been noted for having alternate-party systems. In all such periods there is of course too deep a division between sides either to permit or to require that system. Now a society with one-class rule, and with a one-party or no-party system, may or may not be democratic, that is, may or may not (to use Mill's criterion) promote the moral, intellectual, and active worth of all individuals. It is likely to do so if it releases the productive force of society from previous obstacles and if it develops wide participation in administration, as was notable in the examples just mentioned. It may, on the other hand, be merely a plebiscitarian state, such as Louis Bonaparte's or Hitler's, where conflict between classes is not resolved but is covered up by all the devices of charismatic leadership.

What is suggested here is that the kind of democracy which requires an alternate-party system is a special case of democracy. The special case in which the postulate of the primacy of multitudinous conflicting group interests is valid is limited to societies where antagonism between classes is not too strong to permit compromise but where there is a division into two or three classes whose interests are opposed. The suggestion that the alternate-party system is required only in class-divided societies may seem paradoxical, and requires some support. It is of course not decisive to point out that that system has developed only in class-divided societies. Nor is it decisive to point out that the alternate-party system has disappeared where revolutionary steps have been taken to abolish or subdue antagonistic classes, for the disappearance of alternate parties might be held to be simply a by-product of the revolutionary method.

It may however be suggested that the essential function of the alternate-party system has been to fill certain needs which exist only in class-divided societies. One such need is the moderation of the conflict of class interests. This function can be performed either by a set of parties which represent the interests of the classes, as in the Whig *vs.* Tory or Conservative *vs.* Labour alignment, or by a set of parties which do not represent anything but which the private organizations representing class interests seek to control or to influence in their favour. Either of these arrangements takes some of the strain out of the antagonism of class interests by providing, if not satisfaction for one class, at least continual hope of further satisfaction for both. This

function is clearly required only in class-divided societies.

The other need which it has been an essential function of the alternate-party system to fill is the continual provision of a potential alternative government and thus of a constant check on any government's abusing its power, that is, infringing or going against the rights or interests of any individuals or sections of the community. This concept of the function of the alternate-party system is emphasized by orthodox theory but it may be suggested that it rests on one of two postulates not generally recognized. It assumes either (*a*) that there is a natural conflict of interests between the people and the government, so that the alternate-party mechanism is needed to protect individuals against the government of the day, or (*b*) that there is a natural conflict of interest between classes, leading to the danger of a government representing one class or combination of classes exclusively or permanently, or leading to the opposite danger that a government may go so far to meet the demands of one class as to jeopardize the position of the other.

The second of these assumptions clearly postulates a class-divided society. The first assumption, while it may be valid for any kind of society, is more likely to be valid for a class-divided society than for a homogeneous one, as political scientists from Aristotle on have perceived. A class-divided society with popular franchise can scarcely avoid a constant suspicion of the government by one class or the other. For this society, therefore, the assumption of a natural conflict of interest between government and people is valid; and here the alternate-party system is essential for the maintenance of democracy. On the other hand, in a homogeneous society not marked by significant class divisions there is not this presumption that the interests of the people and of the government are opposed. The more homogeneous the society the less likely this opposition is. At the theoretical extreme position of a society without class division, and with popular franchise, the people would regard the state's purposes as their own and the alternate-party system would not be required for the maintenance of democracy. Only in such a society is it possible to think of a general will sustaining a democracy without alternate parties.

If this analysis of the orthodox theory of democracy be allowed, it will be seen that it leads to a somewhat different appraisal of the Douglas theory than would be given in terms of the orthodox theory. If the orthodox theory deals only with a special case of democracy, the contradiction between the orthodox and the Social Credit theory does not automatically discredit the latter.

Now Major Douglas rejects the alternate-party system, that is, regards it as not essential to democracy, specifically on the ground that it assumes that one section of society can gain its ends only at the expense of another.[37] This assumption he believes to be invalid; he postulates instead, as we have seen, a virtually unanimous general will for all the important political ends. On his postulate, he need not meet the orthodox case for the alternate-party system, nor does the orthodox analysis refute his case. For, as we have

[37] *Social Credit*, Apr. 10, 1936.

argued, it is probable that democracy would be better served without an alternate-party system than with one where there was a possibility of a general will emerging, although, as Major Douglas has emphasized in the last few years, for the protection of individual rights constitutional limitations on the power of the majority would have to be established at an early stage.

However, to say with Major Douglas that the alternate-party system is not essential to democracy where there is a general will is not to say that his scheme of representation would work where there is a general will. One reason why it would not work is that it allows no widespread direct participation in the administration or the formation of national or local policy (using "policy" here in the ordinary, not the special Social Credit, sense). The historical evidence of democratic periods in which there was something approaching a general will and in which alternate parties were not used, suggests that where there are not alternate parties the maintenance of democracy depends on just such wide popular participation in the administration and formulation of policy. This is one substantial weakness of the Social Credit theory.

The other, and the crucial, failure of the Social Credit theory is its failure to see, or rather its repudiation of the idea, that contemporary democracies are essentially class-divided societies. Major Douglas's concept of society as consisting of finance *vs.* everyone else is scarcely an adequate recognition of the class distinction that besets modern society. Since he repudiates the reality of class division he proposes no steps to deal with it. In these circumstances his projected new democracy could be nothing but a plebiscitary pseudo-democracy, if as we have argued the maintenance of democracy in a class-divided society requires the alternate-party system. In spite of his denunciation of totalitarianism and dictatorship, the state he proposes could not be anything but a veiled form of both.

IV. The Revival of Utopianism

The whole of the Douglas theory takes its place in the long procession of utopian systems whose authors have denounced with varying degrees of insight the evils of business civilization and have sought to remove these attributes without altering the essential economic relationships which produced them. It is not clear whether Major Douglas realized to what extent he was following in the footsteps of the nineteenth century utopians; the only indication that he was aware of earlier analyses is a remark in 1931 that the present generation cannot take credit for discovering the cause of the trouble, as it had been discovered several times before, notably about a hundred years ago, and in every case suppressed.[38] There is no indication to what thinkers this refers. There is in the Social Credit theory much of Fourier, with his rejection of the work fetish, his belief that the cause of poverty was the abundance of goods, his fascination with the law of gravity, and his catalogue of waste. There is something of Saint-Simon, with his faith in "les industriels" who actually operate the productive and distributive system, his belief that

[38]Douglas, *Warning Democracy*, quoted in Mairet (ed.), *The Douglas Manual*, p. 146.

"government" would be replaced by "administration," and his assurance that diffusion of credit would save the world. But above all, it is the shadow of Proudhon which hangs over Social Credit and fits it with astonishing accuracy. Like Douglas, Proudhon explained the source of profit as the "increment of association," and the emergence of profit as a result of a miscalculation. Like Douglas, Proudhon explained poverty as due to the depredation of industry by finance, which made it impossible for those who produced everything to buy back their own products; and found the solution in a scheme of free credit for producers along with price-fixing. Like Douglas, Proudhon found that the handing over of the nation's credit to the National Bank had elevated finance to the position of an occult power enslaving the whole country. Like Douglas, Proudhon held that the destruction of this power by credit-reform would remove oppression and misery without altering the labour-capital relationship; competition and private property would remain. Like Douglas, Proudhon denounced majority rule and popular sovereignty, holding that progress was always accomplished not by the people but by an *élite*. Like Douglas, he hated bureaucracy and the omnipotent state for their repression of individual liberty. His theoretical anarchism, being a rejection not of any coercive power but only of absolute state power, is essentially similar to the Social Credit position. Like Douglas, Proudhon was scornful of political parties, and saw a Jewish conspiracy dominating the press and the government.

Since the Douglas outlook and theory follows Proudhon's so closely it would not be surprising if Major Douglas were to take the final logical step that Proudhon took when he concluded that the desired social and economic changes could be instituted only by the dictatorship of a leader supported by the people, and championed the plebiscitary dictatorship of Louis Bonaparte. From Proudhon to Hitler, doctrines which have singled out finance as the source of social evil have led to the plebiscitary state. And not without reason, for by seeking or pretending to remove the evils of which they complain by credit reform alone, they fail to resolve the class tension which, if not moderated by democratic party system, can only be covered over by plebiscitarian dictatorship. Proudhon's theory has had a perennial attraction for declassed elements in society, who are neither proletarian nor securely propertied, as has the Social Credit theory during its briefer life. Social Credit theory, like Proudhon's, is essentially *petit-bourgeois* and this is no doubt the secret of its success and its failure.

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