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Social Credit Principles

An address delivered at Swanwick, November, 1924

By Major C. H. DOUGLAS

The financial system, in its control over production, stands to the works or factory system of the world, considered as an economic unit, in the same relation as the planning department of a modern factory does to the factory.

The distribution side of the financial system exercises a function not dissimilar to that of the progress department of a factory.

No discussion of the financial system can serve any useful purpose which does not recognise:—

(a) *That a works system must have a definite objective.*

(b) *That when that objective has been decided upon it is a technical matter to fit methods of human psychology and physical facts, so that the objective will be most easily obtained.*

In regard to (a) the policy of the world economic system amounts to a philosophy of life. There are really only three alternative policies in respect to a world economic organisation:—

The first is that it is an end in itself for which man exists.

The second is that while not an end in itself, it is the most powerful means of constraining the individual to do things he does not want to do; *e.g.*, it is a system of Government. This implies a fixed ideal of what the world ought to be.

And the third is that the economic activity is simply a functional activity of men and women in the world; *that the end of man, while unknown, is something towards which most rapid progress is made by the free expansion of individuality, and that, therefore, economic organisation is most efficient when it most easily and rapidly supplies economic wants without encroaching on other functional activities.*

You cannot spend too much time in making these issues clear to your minds, because until they are clear you are not in a position to offer an opinion on any economic proposal whatever.

In regard to (b) certain factors require to be taken into consideration.

(1) That money has no reality in itself. That in itself it is either gold, silver, copper, paper, cowrie shells, or broken tea cups. The thing which makes it money, no matter of what it is made, is purely psychological, and consequently there is no limit to the amount of money except a psychological limit.

(2) That economic production is simply a conversion of one thing into another, and is primarily a matter of energy. It seems highly probable that both energy and

production are only limited by our knowledge of how to apply them.

(3) That in the present world unrest two entirely separate factors are confused. The cry for the democratisation of industry obtains at least 90 *per cent* of its force from the desire for the democratisation of the *proceeds* of industry, which is, of course, a totally different thing. This confusion is assisted by the objective fact that the chief controllers of industry get rich out of their control.

I do not, myself, believe in the democratic control of industry any more than I should believe in the democratic control of a cricket team, while actually playing, and I believe that the idea that the average individual demands a share in the *administrative* control of industry is a pure myth.

The present world financial system is a Government based on the theory that men should be made to work, and this theory is considerably intermixed with the even stronger contention that the end of man is work. I want you to realise that this is a statement of fact, not a theory. More than 95 *per cent* of the purchasing-power actually expended in consumption is wages and salaries.

It will therefore be seen that there are two standpoints from which to examine its mechanism. The first considered as a method of achieving its political end of universal work, and the second as a means of achieving some other political end—for instance, the third alternative already mentioned.

Considered as a means of making people work (an aim which is common both to the Capitalist and Socialist Party Politics) the existing financial system, as a system, is probably nearly perfect.

Its banking system, methods of taxation and accountancy counter every development of applied science, organisation and machinery, so that the individual, instead of obtaining the benefit of these advances in the form of a higher civilisation and greater leisure, is merely enabled to do more work. Every other factor in the situation is ultimately sacrificed to this end of providing him with work, and at this moment the world in general, and Europe in particular, is undoubtedly settling down to a policy of intensive production for export, which must quite inevitably result in a world cataclysm, urged thereto by what is known as the Unemployment Problem.

To blame the present financial system for failing to provide employment is most unfair; if left alone it will continue to provide employment in the face of all scientific progress,

(continued on page 4)

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FROM WEEK TO WEEK

If Socialists had coloured skin, ranging from slight pink to marked red according to the depth and consciousness of their convictions, it would be possible to see the nature and extent of our predicament. Their geographical distribution in schools, universities, the press, the Churches, the Parties and, above all, the bureaucracies would be evident to the eye. Their spread into and proliferation in all these areas has been an accomplishment of time—but in accord with plan: the London School of Economics was endowed by Sir Ernest Cassel "to train the bureaucracy which will run our future Socialist State". That was in the beginning; in the course of more than half a century the original trainees permeated other training establishments, until the basic tenets of collectivism, materialism and socialism were taught even in the lower grades of the 'educational' establishment, under the guise of Social Studies, with the conviction which formerly inhered in religion.

"The education of the younger generation is a most important task for the Party and state, for our entire socialist society. Especial attention is devoted to ideological and political training, to the well-rounded development of our boys and girls . . .

" . . . The process of forming the ideological conviction of youth does not proceed spontaneously, but requires qualified, daily and active leadership."*

This process, explicit in countries with openly Communist governments, but implicit in 'democracies', has insidiously replaced the tenets of a fundamentally Christian civilisation: Man is born, not for what he might become in the sight of God, but to be fit for Full Employment. In relation to what is physically possible—abundant leisure and gracious art—the industrial system has become a vast prison, where human beings are less free than the wild beasts. No wonder there is student 'unrest', which, exploited though it is to abolish what remains of free enterprise, is thoroughly justified by the results of a perverted educational system.

So much is Full Employment now taken for granted as

*S. Pavlov, "The Ideological Conviction of Youth", *Pravda*, Aug. 29, 1965; quoted by Richard V. Allen, *Peace or Peaceful Coexistence?*

the object of Man's existence that hardly anyone notices that the greater part of employment is completely futile; so far from contributing to the standard of living, it impedes the progress of the transfer of necessary work from men to machines. The whole of the taxation system in its present form could be abolished; and since all those employed in it contribute nothing to the production of what they consume, they could clearly be paid what they are paid at present without its making any difference to the rest of the community. But if all who could be were dis-employed and given their leisure (in the long run, leisure should be distributed) they might become, from the point of view of Government, ungovernable; and Government—power over others—is the insatiable ambition of a portion of mankind.

The present situation is obviously explosively unstable, and can have only one of three possible outcomes: either it will drive the world to destruction from which regeneration might or might not be possible; or an invincible World Government will maintain its rule by force and terror (physical and/or psychological); or an economic system, correctly related to the technological realities of the Age, will distribute the leisure which is the true dividend of industrialisation. But if that last possibility is to be realised, those who stand in its way will have to be dealt with—and drastically, seeing the ruin they have already caused.

Language

We have pointed out before the importance of resistance to the campaign, long conducted, for so degrading language that it becomes a tool which is useless for any honest purpose and valuable only as a means of spreading confusion and deceit. Therefore we welcome the following from an article, "Satirist in the Modern World", in *The Times Literary Supplement*:—

"Confucius was once asked what he would do first if it were left to him to administer a country. The Master said (in Professor Waley's scholarly translation of the *Analects*): 'It would certainly be to correct language.' His listeners were surprised. 'Surely,' they said, 'this has nothing to do with the matter. Why should language be corrected?' The Master's answer (more freely translated) was: 'If language is not correct, then what is said is not what is meant; if what is said is not what is meant, then what ought to be done remains undone; if this remains undone, morals and arts will deteriorate; if morals and arts deteriorate, justice will go astray; if justice goes astray the people will stand about in helpless confusion. Hence there must be no arbitrariness in what is said. This matters above everything'."

—*The Social Crediter*, May 16, 1953.

"Recent counsels to discard fine discriminations, to restrict language to simple and familiar instances of its use, to pare down the vocabulary of the people and to whittle away all that is unknown to children and forgotten by the aged, the forgetful and the lazy, are invitations to ambiguity among words, for since the particulars of life constantly multiply by the effects of inventions and complexities, fewer words have to serve more purposes. The offence is doubled by being from two sides at once: no sooner a new need arises than, in place of inventing a new term to express it, an old one is torn from its established roots and implanted in the new soil, for a need is a soil, fostering growth and bearing fruit; while by word-clipping the vandals denude an old plantation and

give it over to weeds, which spread lustily in the vacant earth."

—The Editor, *Fig Tree*, September, 1954.

"If the meaning of words is distorted contact with reality is lost."

—Dr. Ivan Pavlov (Russian neuropsychiatrist).

"Without language we should merely be hairless chimpanzees. Indeed, we should be something much worse. Possessed of a high IQ but no language, we should be like the Yahoos of *Gulliver's Travels*—creatures too clever to be guided by instinct, too self-centred to live in a state of animal grace and therefore condemned to remain forever, frustrated and malignant, between contented apethood and aspiring humanity. It was language that made possible the accumulation of knowledge and the broadcasting of information. It was language that permitted the expression of religious insight, the formulation of ethical ideals, the codification of laws. It was language, in a word, that turned us into human beings and gave birth to civilisation."

—Aldous Huxley, *Adonis and the Alphabet*.

Reflections

May 20, 1830: MOSAIC PROPHECIES . . . The manner of the predictions of Moses is very remarkable. He is like a man standing on an eminence, and addressing people below him, and pointing to things which he can, and they cannot, see. He does not say, You will act in such and such a way, and the consequences will be so and so; but, so and so will take place, because you will act in such a way!

May 21, 1830: MOTIVES AND IMPULSES. Talent, lying in the understanding, is often inherited; genius, being the action of reason and imagination, rarely or never.

Motives imply weakness, and the existence of evil and temptation. The angelic nature would act from impulse alone. A due mean of motive and impulse is the only practicable object of our moral philosophy.

June 7, 1830: PARTY SPIRIT. Party men always hate a slightly differing friend more than a downright enemy. I quite calculate on my being one day or other holden in worse repute by many Christians than the Unitarians and open infidels. It must be undergone by every one who loves the truth for its own sake beyond all other things.

Truth is a good dog; but beware of barking too close to the heels of an error, lest you get your brains kicked out.

June 14, 1830. Intense study of the Bible will keep any writer from being *vulgar* in point of style.

July 2, 1830: PLATO—ARISTOTLE . . . Philosophy is a middle state between science, or knowledge, and sophia, or wisdom.

September 8, 1830: ENGLISH REFORMATION . . . For a long time past the Church of England has been blighted with prudence, as it is called. I wish with all my heart we had a little zealous imprudence.

(*Table Talk* of S. T. Coleridge.)

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Crowd-Delirium

"Where two or three are gathered together in my name, there am I in the Midst of them.' In the midst of two or three hundred, the divine presence becomes more problematical. And when the numbers run into thousands, or tens of thousands, the likelihood of God being there, in the consciousness of each individual, declines almost to the vanishing point. For such is the nature of an excited crowd (and every crowd is automatically self-exciting) that, where two or three thousand are gathered together, there is an absence not merely of deity, but even of common humanity. The fact of being one of a multitude delivers a man from his consciousness of being an insulated self and carries him down into a less than personal realm, where there are no responsibilities, no right or wrong, no need for thought or judgment or discrimination—only a strong vague sense of togetherness, only a shared excitement, a collective alienation. And the alienation is at once more prolonged and less exhausting than that induced by debauchery; the morning after less depressing than that which follows self-poisoning by alcohol or morphine. Moreover, the crowd-delirium can be indulged in, not merely without a bad conscience, but actually, in many cases, with a positive glow of conscious virtue. For, so far from condemning the practice of downward self-transcendence through herd-intoxication, the leaders of church and state have actively encouraged the practice whenever it could be used for the furtherance of their own ends. Individually and in the co-ordinated and purposive groups which constitute a healthy society, men and women display a certain capacity for rational thought and free choice in the light of ethical principles. Herded into mobs, the same men and women behave as though they possessed neither reason nor free will. Crowd-intoxication reduces them to a condition of infra-personal and anti-social irresponsibility. Drugged by the mysterious poison which every excited herd secretes, they fall into a state of heightened suggestibility, resembling that which follows an injection of sodium amytal or the induction, by whatever means, of a light hypnotic trance. While in this state they will believe any nonsense that may be bawled at them, will act upon any command or exhortation, however senseless, mad or criminal. To men and women under the influence of herd-poison, 'whatever I say three times is true'—and whatever I say three hundred times is Revelation, is the directly inspired Word of God.

" . . . A crowd is the social equivalent of a cancer. The poison it secretes depersonalizes its constituent members to the point where they start to behave with a savage violence, of which, in their normal state, they would be completely incapable . . .

"In the course of the last forty years the techniques for exploiting man's urge towards this most dangerous form of downward self-transcendence have reached a pitch of perfection unmatched in all of history. To begin with . . . there is the radio . . . there is the loudspeaker . . . there is the camera (of which it was once naively said that 'it cannot lie') and its offspring, the movies and television, these three have made the objectification of tendentious phantasy absurdly easy. And finally there is that greatest of our social inventions, free, compulsory education. Every one now knows how to read and everyone consequently is at the mercy of the propagandists, governmental or commercial, who own the pulp factories, the linotype machines and the

rotary presses. Assemble a mob of men and women previously conditioned by a daily reading of newspapers; treat them to amplified band music, bright lights, and the oratory of a demagogue who (as demagogues always are) is simultaneously the exploiter and the victim of herd-intoxication, and in next to no time you can reduce them to a state of almost mindless sub-humanity. Never before have so few been in a position to make fools, maniacs or criminals of so many."

Aldous Huxley—*The Devils of Loudun.*

Intelligence

"Intelligence is often confused with extent and range of knowledge; or it is supposed to be identical with interest in science, philosophy, letters, or other so-called intellectual pursuits. That is a misconception. Intelligence shows itself in apprehending the exact nature of the particular problems with which the individual is himself called upon to deal; in seeing through the fog of contemporary sophism and misunderstanding; in detecting underlying principles which to most men are lost in a mass of detail or are obscured by accepted catchwords; in noticing the connection of things usually unrelated or the distinction between things usually confused; in apprehending the importance of what others overlook or the relative unimportance of what they regard as central. It may best perhaps be described as a kind of 'flair', in virtue of which the discoverer, the artist, the true reformer—not to mention the man who really possesses that not too common quality known as 'common sense'—seize at once on what is relevant, and discard or subordinate what is not."

—B. H. Streeter, *Reality.*

Social Credit Principles

(continued from page 1)

even at the cost of a universal world-war, in which not only all possible production would be destroyed, but such remnants of the world's population as are left will probably be reduced to the meagre production of the Middle Ages.

Considered as a mechanism for distributing goods, however, the existing financial system is radically defective. In the first place, it does not provide enough purchasing-power to buy the goods which are produced.

I do not wish to enter at any great length into the analysis of why this is so, because it is always a matter of some heated controversy. I have, however, no hesitation whatever in asserting not only that it is so, but that the fact that it is so is the central fact of the existing economic system, and that *unless it is dealt with no other reforms are of any use whatever.*

And the second feature of equal importance is that considerably less than the available number of individuals, working with modern tools and processes, can produce everything that the total population of the world, as individuals, can use and consume, and that this situation is progressive, that is to say, that year by year a smaller number of individuals can usefully be employed in economic production.

To summarise the matter, the principles which must govern any reform of the financial system, which will at one and the same time avoid catastrophe, and re-orientate world economic policy along the lines of the third alternative, are three in number:—

1. *That the cash credits of the population of any country*

shall at any moment be collectively equal to the collective cash prices for consumable goods for sale in that country, and such cash credits shall be cancelled on the purchase of goods for consumption.

2. *That the credits required to finance production shall be supplied, not from savings, but by new credits relating to new production.*

3. *That the distribution of cash credits to individuals shall be progressively less dependent upon employment. That is to say, that the dividend shall progressively displace the wage and salary.*

I may conclude by a few remarks on the position of the banks, in respect of this situation. It is becoming fairly well understood that the banks have the control of the issue of purchasing-power to a very large extent in their hands. The complaint which is levelled at the banks is generally that they pay too large a dividend. Now curiously enough, in my opinion, almost the only thing which is not open to destructive criticism about the banks is their dividend. Their dividend goes to shareholders and is purchasing-power, but their enormous concealed profits, a small portion of which goes in immensely redundant bank premises, etc., do not provide purchasing-power for anyone, and merely aggrandise banks as banks.

But the essential point in the position of banks, which is so hard to explain, and which is grasped by so few people, is that *their true assets are not represented by anything actual at all*, but are represented by the difference between a society functioning under centralised and restricted credit and a free society unfettered by financial restrictions.

To bring that perhaps somewhat vague generalisation into a more concrete form, the true assets of banks collectively consist of the difference between the total amount of legal tender, or Government money, which exists, and the total amount of bank credit money, not only which does exist, but which might exist, and which is kept out of existence by the fiat of the banking executive.

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