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FOR POLITICAL AND ECONOMIC REALISM

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An Economic Experiment in Australia

In fairly recent times, inflation has become a matter of growing public concern and alarm, until now it has become largely identified as Public Enemy Number One. It is treated as if it were an external threat, something almost material, something which must be 'fought' by stronger and stronger government powers with which to organise more and more of the community to defeat the enemy.

Yet there have been periods in long-ago history where inflation as a phenomenon occurred, taking the form of debasing the currency by coin-clipping or adulteration. Banking practice as we know it these days did not exist in those.

But as a *continuous* phenomenon in modern times inflation has been an automatic accompaniment to the development and growth of the power-driven industrial system. In fact, inflation is *not* some external force, let alone an 'enemy' to be fought. Inflation arises directly from the method of financing industrial expansion, and is inherent in the conventions of accountancy of that financing — particularly the banking conventions.

Professional economists, who largely are, directly and indirectly, the advisers of governments — the same advisers, in the main, for different governments — deny this. Various 'schools' of economists espouse, in general, one of four theories concerning inflation, and this explains the conflicting views concerning appropriate policies to 'control' inflation — disputes which confound and bedevil public opinion. That they are all wrong is demonstrated by numerous graphs of the depreciating purchasing-power of countries all over the world which have been published in recent years, which show that inflation has been a continuous process, and an accelerating one, particularly in more recent years, despite the numerous 'remedies' which have been proposed and discarded. The new Australian Government is enthusiastically embarking on one of these.

This is not the place to analyse this situation. The correct analysis has been available for over fifty years, and has been described in terms adapted to the contemporary situation in two booklets published by Tidal Publications — *Freedom and Inflation*, and *Alternative to Disaster*.

THE ELIMINATION AND REVERSAL OF INFLATION

The principles of eliminating and reversing inflation have also been known for over fifty years. But principles have to be applied in accordance with existing circumstances which, of course, have changed markedly over the years. For example, rising unemployment accompanying continuous inflation is a comparatively recent development, confounding the "four theories"; and so is the increasing moral disintegration of communities.

Within this fifty years a number of schemes, each adapted to apply correct principles of rectification to then existing situations, have been put forward. But here another factor has emerged. All these schemes have been actively opposed by those with the

power to put them into effect. The reasons for this have been touched on in *Freedom and Inflation*. Briefly, this opposition arises from conspiracy to preserve and concentrate power in the hands where it now lies, concealed behind ballot-box democracy and operating through financial institutions. The maintenance of inflation is, at least for the present, indispensable for such preservation. Evidence of this conspiracy, with careful documentation, is abundantly available in various selections of books made available by Tidal Publications.

A set of principles is rather like a theory in science; and in science theories are tested by experiments. It is also the case that more people can see and understand how something works or operates in practice than can imagine how "principles" can be applied to experiment or practice. Now where a set of principles is put forward to eliminate and reverse inflation, the scientific procedure is to set up an experiment. It is to outline a 'laboratory' experiment on these lines that this brochure is published.

A LABORATORY EXPERIMENT

The Social Credit Secretariat has received a small legacy to help further the Secretariat's objectives. The legacy was received in the form of a cheque, which was deposited in a bank. The cheque was then cancelled, and the money it represented became a bank-deposit, which is simply a figure in one or several books. This deposit can be converted to money (cash) by writing another cheque which may be used as purchasing power, or drawn from the bank as cash, or merely to effect a change in bank book-entries.

The legacy itself represented money saved from past income of the benefactor and, presumably, represented remuneration from work done, and convertible into goods and/or services when put into circulation. These considerations are mentioned to emphasise the predominantly book-keeping nature of most of what is regarded as 'real' money.

But the legacy represents something more. All of us have been born into a world full of the accumulation of past efforts of our ancestors; and in our life-time we see the further and rapid accumulation of that which will outlast us. Thus in the present century we have had the enormous expansion of telecommunications, automotives and aircraft, and factories able to produce in quantity anything that engineers can design. Thus we are the beneficiaries of our fore-fathers, and in our turn the benefactors of our successors. And a legacy of money represents our ability and theirs to draw on that inheritance, so immensely greater than anything that can be accomplished in our own life-span.

The basic "principle" for the elimination of inflation is to neutralise or compensate the component in the price of goods for sale which arises from the system of accounting (book-keeping) on which prices are based (see booklets referred to above). This is to be done on this occasion by employing the accountancy represented by the legacy to discount the prices of books and pamphlets available from Tidal Publications, in Australia.

THE MODUS OPERANDI

Tidal Publications was established as a business primarily to publish material and distribute books for which larger publishers and distributors were for one reason or another (one being an effective boycott) not available.

To establish a business a sum of money is required. This is called capital, and is regarded as a continuing entity, though it may be increased to enable expansion.

In the case of a publishing-distributing business, especially a small-scale one, most of the capital is spent on paying other businesses for printing and binding, and acquiring stocks of books from other publishers; and incidental charges in connection with these activities. This is called "working" or "circulating" capital, which must be recovered in a cyclic fashion to enable replacement of stock sold and recurring other charges. It in no sense represents profit. Larger concerns convert some of their capital into fixed assets, such as premises and machinery. It is important to note that these assets attract depreciation and obsolescence charges, since otherwise their deterioration would represent an erosion of capital. They also have staff-wages to pay, which is an addition to circulating capital, being in this equivalent to recurring charges. (For fuller details, see *Freedom and Inflation*.)

Now suppose Tidal Publications starts with a capital of \$2000, and expends \$1000 in book purchases, reserving \$1000 for projected printing and other charges, and over a period of time expends \$500 on such charges. In due course it receives printed material with a basic cost of \$500.

It now has stock *valued* (at cost) at \$1500, and \$500 in reserve for contingencies. But distribution of this stock incurs further expenses — packaging, postal and telephone charges, rental charges on premises if not owned, materials used in record keeping — all of which must erode capital unless recovered in sales-prices.

Now Tidal Publications does not aim at a distributable profit. On the other hand, it aims to increase its activities by increasing capital out of profit; and profit is taxable, and is another cost.

This is a very simplified description of fundamental considerations, but it will serve for a demonstration. Normal accountancy procedure is to allocate a percentage charge to the basic cost, of stock, to obtain money to recover basic cost, plus the additional costs, plus profit (which includes provision for tax).

-Thus:	Basic cost of stock	\$1500
	Mark-up to cover additional costs as above	750
	Gross income	<u>2250</u>
Less:	Incidental costs (variable, but usually increasing because of inflation), say	350 (a)
		<u>1900</u>
	-Stock replacement at increased cost because of inflation	1650 (a)
	Net profit	<u>250</u>

(a) indicates where inflation becomes direct cost-push factor.

These figures are illustrative only, designed to show how selling-price is arrived at — what *must* be charged if a business is to survive and, as a prime objective, expand; don't forget, we are

continually being told that economic 'recovery' depends on expansion — a false proposition but a vitally important current consideration.

The items marked (a) above represent *the built-in inflationary factor*, which is strictly equivalent to compound interest. Thus $\$350 + \$150 = \$500$, and this at 15% per time-unit (say annually) becomes \$575, 661.25, 760.44, 874.5 This fundamental factor flows on into the overall price-structure, and is made worse by progressive taxation. The "(a)" factor is a much higher ratio to other costs in large-scale business and industry.

The example given is greatly over-simplified, but points to the adjustment required to eliminate inflation. The matter is much more fully discussed in *Freedom and Inflation* and is combined with other considerations of broader scope in *Alternative to Disaster*. But the example serves for the Laboratory Experiment.

A PRACTICAL EXPERIMENT

On the basis of previous experience, Tidal Publications will neutralise the compounding inflation in its operations by reducing the price of books for sale *at the point of sale* by 25% of the standard price on each sale — i.e., on a gross turn-over of \$2250, the total sales-price will be \$1687. Required income is \$2250, difference \$563. This "loss" will be reimbursed out of the Legacy Fund allocated for the purpose by the Secretariat. Note that this "reimbursement" will merely amount to adjusting some book-entries in one or two banks. Note also that the reimbursement will only be in respect of sales at the lower price actually made. Thus Tidal Publications' accounting will remain unaltered in principle, the various components of price remaining in the same ratio, just as Sales Tax leaves price-structure unaltered, but *increases sales-price at the point of sale*, thus diminishing the purchasing-power of the customer's dollar. The buyer, on the other hand, who purchases a book priced at \$4 receives it for \$3; and this increases the purchasing-power of his dollar by 33.3%. At the same time, Tidal Publications' liquidity is restored, enabling the purchase of fresh stock.Q.E.D.

Of course, the principles of neutralisation of inflation have been demonstrated in practice often enough, but by accident rather than by design. Bankruptcies, enabling the recovery of *some* capital by the sale of assets below cost, constitute a forced subsidy, as do simple failures of small businesses. "Bargain Sales" are a reduction of prices below those necessary to maintain normal profits or even incurring some loss, to clear out-of-fashion stock and regain liquidity for the purchase of replacement stock, are the same in principle. However, a firm might replenish the "loss" by a book-entry allocation of 'funds' from its advertising provision — debit the one account and credit the other, since the announcement of the sale advertises the firm. In this case, no 'money' is involved.

But a more truly "experimental" action was taken when the Australian Government sharply reduced Sales Tax on GMH cars (for a limited period) to enable the Company to maintain liquidity without dismissing employees. This resulted in a sharp rise in new car sales. A reduction of Sales Tax is equivalent to the payment of a subsidy, since the effect is to reduce price *at the point of sale*. And since this "subsidy" can be considered to be provided out of the government budget deficit, it cannot be said to be paid at the immediate cost to the taxpayer. This deficit can quite properly be considered as a fund, a portion of which in this instance was used to effect a reduction in prices.

The Tidal Publications "experiment" is designed to demonstrate the validity of a set of principles. If that validity is demonstrated, obviously, provided a continuing source for the

subsidy were made permanent, the inflation "problem" would be solved — not 'beaten', or 'conquered' — but *eliminated*.

However, as demonstrated in *Freedom and Inflation*, the provision of such a source on a national scale is merely a matter of accountancy adjustments.

It is hoped that readers who appreciate the significance of this little experiment will study the matter in greater detail and various aspects, bearing in mind that if not eliminated, inflation will bring about the downfall of this civilisation. It is hoped, too, that as knowledge and understanding is gained, it will be spread amongst others and passed on to their Parliamentary representatives. If the present Australian Government only knew it, this is their last chance. Their current policies, if persisted in, will inevitably fail, because they are predicated on fundamental fallacies. As soon as the Socialists get in again, they will take steps to remain permanently — or at least until the Communists take over — as is happening in one country after another.

POSTAL CHARGES

While this "experiment" continues, postal charges will be fully subsidised — i.e., mail orders will be post-free.

In so far as Post Office installations have been paid for out of taxation, no charge should be made for their use — only wage and salary costs, and genuine depreciation and maintenance costs. The altogether excessive increase in postal and communication charges are directly inflationary and socially disruptive; and again, accountancy adjustments could rectify this.

On the other hand, a steady increase in the purchasing-power of the unit of money would rapidly ameliorate our present near disastrous situation, and progressively cure it. But time is short, and getting shorter.

Recommended Books and Booklets

Prices shown in brackets are those for U.K. customers and include postage. The *Economic Experiment* is limited to Tidal Publications, Australia.

1. THE EXISTENCE OF A CONSPIRACY

The concept of a New World Order inspires the U.S. State Department, and also British Cabinets under both Labour and Conservative Administrations, and is integral to the Soviet system. All these Parties are united in the common objective of bringing mankind under unified control. No conspiracy of world-wide importance has any other goal, and this unity of objective makes all such conspiratorial groups teleologically *one conspiracy*.

None Dare Call It Conspiracy : Gary Allen (70p)

None Dare Call It Treason : John Stormer (65p)

The Naked Capitalist : W. Cleon Skousen (£1.35)

A number of people, sceptical of the existence of an overall conspiracy determining world events, have been led by this book to read Carol Quigley's *Tragedy and Hope*, on which *The Naked Capitalist* is based. *Tragedy and Hope* is a definitive volume of over 1000 pages, informed by privileged access to documents directly related to the conspiracy. As a result of such reading, former sceptics have become convinced of the reality of the conspiracy.

The C. F. R. — Conspiracy to Rule the World : Gary Allen (20p)
The Fearful Master — A Second Look at the United Nations : G. Edward Griffin (75p)

2. ANCILLARY MATERIAL

The State of the World (23p)

The Moving Storm : Bryan W. Monahan (£1.00)

The Survival of Britain : Bryan W. Monahan (£1.30)

The Monopoly of Credit : C. H. Douglas (£1.20)

The Development of World Dominion : C. H. Douglas (80p)

Anyone who will study even a selection from the above titles will soon understand why our world is in increasing turmoil — why, for example, Soviet armed Cubans are fighting in Angola; why there is mounting terrorism and soaring crime; why the war in Vietnam was *deliberately* lost. Lenin died in 1924; but before he died he laid down the strategy of Communist conquest. It has been summarised and paraphrased as follows: "First, we will take Eastern Europe. Next, the masses of Asia. Then we shall encircle that last bastion of capitalism, the United States of America. We shall not have to attack; it will fall like overripe fruit into our hands".

3. GENERAL SELECTION

Alternative to Disaster : Bryan W. Monahan (28p)

Freedom and Inflation : Bryan W. Monahan (45p)

Finance and Communism & Grass-roots Economics (26p)

Antecedents of Communism (23p)

Theory of Subversive Action : R. Cosyns-Verhaegen (55p)

The Art of the Possible : Bryan W. Monahan (26p)

Full booklist available on request.

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"An Economic Experiment" will be available as a brochure in Australia. K.R.P. Publications Ltd. will make available in the U.K. copies of this edition of "The Social Creditor," free on request to those wishing to extend knowledge of the experiment. When ordering, please advise quantity required.

Economists and Marx

From Professor R. Coase

Sir, In his comments (January 28) on the première of the Adam Smith film yesterday Mr. Ross Davies in *The Business Diary* reported me as "declaring" that "most economists are Marxists"

In this Mr. Davies's account is not completely accurate. What I said was "most economists are not Marxists".

Yours faithfully,
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January 28.

— *The Times* 3 February, 1976.

Or maybe most economists don't know they are Marxists, though our economies are derived from the principles of the Communist Manifesto.

Southern Africa

With regard to recent events in Africa our attention has been drawn to the following notes which originally appeared in these pages on August 24, 1968, and were subsequently reprinted in The Moving Storm, p. 125 et seq.

The *Daily Telegraph*, London, July 22, 1968, reports Mr. Pieter Botha, the South African Defence Minister, as saying that guerilla attacks in Rhodesia, Angola and Mozambique were aimed ultimately at South Africa. "At the moment we are threatened by unconventional warfare, but if terrorism should succeed, a greater, conventional threat will tax our powers."

But even this does not see into the situation deeply enough. The constant and mounting threat of guerrilla activity is likely to gradually raise the political temperature of the whole area, until a point may be reached where spontaneous combustion occurs in the form of outbreaks of terrorism—the objective of the outside pressures and incitements directed particularly against Rhodesia. As things are developing in the world, there is a point of no return for South Africa along this road. If it is not anticipated by an act of initiative consciously directed against the international forces, South Africa will be faced by massacre or surrender.

Mr. Diederichs, the South African Minister of Finance, is reported (*South African Digest*, July 26, 1968) as saying: "I find it incomprehensible that the United States and certain other countries . . . should now wish to force South Africa to sell its gold on the free market by attempting to prevent it selling to monetary authorities . . ."

"This reversal of policy must lead to a weakening rather than to a strengthening of the international monetary structure as well as to a total loss of confidence."

The Minister poses, by implication, the wrong question. The real and urgent question is: "In what context does the policy of reversing a policy make sense?" Surely Mr. Diederichs does not believe that he knows more of the operations of international finance than 'the United States'—*i.e.*, those responsible for the monetary policy followed by the United States and "certain other countries"? A first assumption in matters of this kind must be that the 'authorities' intend the consequences of their actions rather than that they have reached their eminent positions without being able to foresee those consequences.

Mr. Diederichs and other members of the South African Government know very well what would be the consequences of handing over government in South Africa to "black majority" rule. Yet 'world opinion' is directed towards this objective. They know the importance of the Cape route to international commerce; yet the 'British' Government refuses to supply arms for its defence. Whether they realise that the Republic of South Africa is, for the present, the one remaining country which could perhaps successfully challenge the emerging World Government is a more open question.

Supposing there is a "total loss of confidence" leading to a universal economic crisis? Supposing the United States, the headquarters of International Finance, and Russia, logistically prepared and strategically placed by its Middle East and North African dispositions to take over Europe in the event of an economic crisis, agreed to set up a World Government of the United Nations "to avert nuclear war"?

Control of the *whole* of Africa is essential to effective World Government; and, in the face of the population explosion, so is de-population. The Republic of South Africa stands in the way.

The visible destruction of spiritual civilisation *may* be due to incomprehensible foolishness on the part of those in the seats of highest power. But it may more probably be due to a perfectly comprehensible long-sighted knavery which, if not frustrated while there is time, will surely engulf the Republic of South Africa.

Brave New World

Under the heading "Production of identical humans is nearer", the *London Times* (16 February, 1976) carries a story by its Science Editor. "The idea of producing limitless numbers of identical human beings has moved close to reality as a result of research at Oxford University".

According to the article, three months earlier Lord Rothschild made the following forecast: "Within *your* lifetime it seems certain that we shall be able to produce as many completely identical human beings as we wish." (Emphasis added). Lord Rothschild and who else?

Lord Rothschild is further quoted as saying: "The anucleation of the fertilised eggs and the injection of the special nuclei *will be* done by Japanese experts (because they are so preeminent at micro-manipulation)".

So inflation's the enemy?

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