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CONSTANT PRINCIPLES

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 that 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 that 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 the 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; i.e. 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.**

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

(1) That money has no reality in itself. That it is either gold, silver, 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 that the chief controllers of industry get rich out of their control...

The present world financial system is a Government based on the theory men should be made to work, and this theory is considerably intermixed with the even stronger contention that

the end of man is work. 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, 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 have no hesitation whatsoever 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.*

(Contd on page 3)

C R E D O

In a world of **PLENTY**, there is no need for **POVERTY** and **DEBT**. We have the technology to feed, house and clothe all people on **EARTH** without destroying our environment. Whatever is physically possible and socially desirable can be made financially possible. This is **EVERYONE'S CONCERN** and it is **URGENT**.

[The Editor has been in correspondence with an economist on monetary reform and the distinct tenets of Social Credit. The text here is edited for general interest.]

Economist:

I like your Credo, and wonder whether you are familiar with the work of Stuart Chase, particularly *The Tragedy of Waste* (1925) and *The Economy of Abundance* (1934). I think both these books support your Credo.

Editor:

Yes, I am familiar with them. Also in that connection *The Great God Waste* by Thorsten Veblen. Though dating from the 1930's, their message is even more urgent today when economic history is repeating itself with the same dire consequences and, as usual, few, if any, are learning from past mistakes.

Today, the so-called "peace dividend" strongly reinforces their argument. The wholesale redundancies in the armed forces and the dismantling or cutting-back of so many armament and arms-related factories and the consequential "unemployment" clearly demonstrates the huge proportion of our economies devoted to socially-wasteful production. It is not for nothing that the peace dividend is being renamed the "peace penalty" by some commentators. Another war of the pre-nuclear variety would be the best possible stimulus to our economies, bringing prosperity and employment to many as happened in 1914 and 1939 by distributing purchasing power for the essentials of life from production which never comes on to consumers' markets. Is that not a shattering indictment of our economic system?

Economist:

Adam Smith refers to money as 'the great wheel of circulation'. Although there is wide disagreement among economists about the nature of money, there is considerable erroneous agreement among them about the functions of money, with a few exceptions. Economists generally list the functions of money as 1) a medium of exchange; 2) a measure of value; 3) a store of value. But there are two other functions of money that are practically never found in the textbooks. These are a) to activate production; b) to serve as a certificate of ownership of unidentifiable wealth.

Editor:

In regard to a), C. H. Douglas summarised it thus: "The proper function of a money system is to furnish the information necessary to direct the production and distribution of goods and services. It is, or should be, an "order" system, not a "reward" system. It is essentially a mechanism of administration, subservient to policy, and it is because it is superior to all other mechanisms of administration that the money control of the world is so immensely important". (*Social Credit*, p62).

He goes on to illustrate his argument with the analogy of a railway ticket providing the management with the required information as to what transportation is required, concluding:-

"It is every whit as sensible to argue that because there may happen to be 100 tickets from London to Edinburgh in existence, that therefore no more than 100 passengers may travel, as it is to argue that because the units of money happen at the moment to be insufficient, therefore desirable things cannot be done, irrespective of the presence of the men and materials necessary to do them."

ONE STEP

In regard to your (b), I have no difficulty in accepting as one function of money your concept of it as a certificate of ownership of unidentifiable wealth. Your corollary is that private institutions, in creating money, are thereby appropriating a share of the nation's wealth to which they are not entitled. You then say "This would seem to be the strongest possible argument for the state to assume the responsibility for the creation of money".

While not dissenting from the logic of your argument, it seems to me that your concept is but a part of the wider actuality that virtually all money (other than notes and coins) comes into existence **only** as debt owed to private institutions. Since it acquires value solely through the work done by Society in general to produce the goods and services to back it, would you not agree that **that** is "the strongest possible reason" for reform of the monetary system? However, **in the absence of other essential reforms**, vesting responsibility for the creation of money in the state carries great danger of making matters worse. It would be only too easy for the "powers behind the banks" to become "the powers behind the state" and you would merely have substituted one all-powerful monopoly for another.

To prevent monetary reform becoming such a trap, the other essential reforms required are (a) to ensure the distribution of purchasing power directly into the hand of consumers without it passing through the production system and thereby generating costs; and (b) to ensure the sale of goods and services by retailers at prices below financial cost to reflect the economic truth that the True Cost of Production is Consumption, (i.e. a fraction). That could be achieved by means of a "negative GST".

The philosophy and techniques underlying this approach to economic and political democracy are fully explained in the Social Credit literature. Quite apart from the mathematical proofs in the literature of Douglas's analysis of the chronic deficiency of purchasing power, the daily pragmatic demonstrations of ever-increasing poverty amidst ever-increasing plenty (or potential plenty) should be sufficient stimulus to professional interest.

Of course I am well aware of "peer pressure" that Social Credit is "not respectable" for economists to study. Lest the old myth persists that "Social Credit was a funny money system that was tried and failed in Alberta", I would recommend a study of "The Alberta Experiment" by C. H. Douglas. It summarises all the bills passed by the Alberta legislature, only for them to be disallowed by the Ottawa government or the Privy Council. Nothing would have been easier to demonstrate the "fallacies" of Social Credit than for the bills to have been allowed to be implemented, but "the authorities" could not risk the possibility of it proving successful and thereby overturning their monopoly of credit creation.

Economist:

I belong to a body whose goal is a sustainable world financial system in a sustainable world economic/ecologic/social system. A sustainable financial system is one which enables the real

FURTHER

economy to be maintained, decade after decade and century after century, at its full employment potential, without recurring financial inflation/over-indebtedness crises.

Editor:

"... at it's full employment potential?"

I would maintain that there is an inherent contradiction there. "Full employment" is no longer sustainable, as the application of science and technology facilitates productivity with decreasing employment, as all current trends confirm. The goal should not be "full employment", which is increasingly recognised as an economic mirage, but "a sufficiency for all, in freedom." That objective is sustainable with only a fraction of the available work-force engaged in it - "an aristocracy of producers serving a democracy of consumers".

Apart from the pragmatic justification for a Social Credit economy that only thus can collective purchasing power be equated with collective prices, the major factor in modern productivity is neither Capital nor Labour as usually defined, but the free inheritance of the knowledge of how to do things ever more efficiently with decreasing human effort. That is our cultural heritage.

Just as you pay nothing to Shakespeare or Beethoven or Dickens for the enjoyment of their works, but only pay the people who reproduce them for you, so we do not pay the countless scientists, engineers and inventors whose past work underpins modern productivity, but only the operatives now working in it. Patents, licences, performing rights, etc., have only a limited life and the sum of intellectual property becomes ever more available and constantly enhanced as the discoveries and refinements of today are added to those inherited from the past. It is incontestable that it is more than sufficient to support "a sufficiency for all". A vital spin-off of that policy would be a steady reduction of the social-wasteful production referred to earlier and consequential relief of pressure on the world's natural resources.

I would therefore appeal to your group to take an even broader view. As well as considering the viability of the financial system, to question also the **objectives** of the economic system. The following quotation from Thomas Robertson's "Human Ecology" (1945) seems apt.

"Orthodox economics gives merely a description of the wheels, rods and levers of the financial machinery, together with its auxiliary plant, and is not concerned with 'objectives'. It is thus that orthodox economists, when suggesting remedies for defects, are usually ineffective and mutually contradictory. Their suggestions are concerned with alterations to the wheels, rods and levers, but the machinery is so large and complicated that the consequences of a few small alterations are incalculable, and they never consider the question of 'objectives' at all.

In an efficient society, therefore, once the 'objectives' had been settled, the machinery would function automatically to those ends. Putting it in other words, no legislative interference would be necessary... suitable design to correct 'objectives' would automatically ensure the desired results."

CONSTANT PRINCIPLES (Contd from page 1)

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 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 BE 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.

(Abridged)

RECOMMENDED READING

<p>Douglas, C. H.</p>	<p>The Brief for the Prosecution. The Development of World Dominion. Economic Democracy. The Monopoly of Credit. The Policy of a Philosophy. Social Credit.</p>
<p>Maré, Eric de</p>	<p>A Matter of Life or Debt.</p>
<p>Monahan, Bryan W.</p>	<p>Why I am a Social Crediter.</p>
<p>Robertson, Thomas</p>	<p>Human Ecology.</p>
<p>Social Credit Secretariat</p>	<p>Elements of Social Credit.</p>

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NOT SEEN FOR DUST *A Global Fable?*

Once upon a time, when King Bosc ascended the throne, he had two grand viziers. One had been in the palace for years and years, and had served many other previous kings. The other was King Bosc's nephew, who had just graduated with honours from the Merlin Academy, and was full of new ideas.

This young nephew managed to convince the king that what really mattered was trade. That more codfish, bananas and potatoes would change hands if trade were globalized, and then everybody would get rich.

The old vizier, on the other hand, said to the king that this was stuff and nonsense. All it would accomplish would be to create a lot of traffic and a lot of dust, and that nothing would change unless the king could force the people to eat a lot more bananas etc. than were good for them; and finally that nobody would get rich except the camel drivers who would be carrying all that stuff needlessly back and forth.

The nephew, whose father owned most of the camels in the kingdom, managed nevertheless to convince the king that all this free trade would create many jobs, but that it was also necessary to print many little pieces of paper to pay for this trade, and that it was essential to allow these pieces of paper the freedom to cross any and all borders.

King Bosc eventually dismissed the old vizier, and decreed to globalize trade in all things and to allow the free movement of pieces of paper by way of carrier pigeons in order to pay the merchants everywhere.

So it came to pass that the great desert, which at one time was called the Sea of Silence, where confused people could retreat for 40 days to think things over, became the noisiest place in the world. Huge camel caravans were criss-crossing it every day in every direction. Whenever they met, there was much confusion and gridlock and noise as the shouting camel herders tried to untangle the camels in the ensuing clouds of dust in order not to be delayed. Delays were said to be unproductive and uncompetitive and therefore bad, bad, bad.

In the meantime, back in the palace, King Bosc got old and was replaced by King Bosc II. He looked across his kingdom, and was pleased at what he saw. Everyone was busy running hither and yon. When the people needed more camels, he gladly borrowed pieces of paper to help them breed bigger and faster ones. He borrowed more pieces of paper to breed bigger and faster carrier pigeons to fly to every corner of the globalized globe with the speed of light.

The king had no trouble borrowing paper from the green little men from abroad, known as gnomes. They were only too happy to give the king a mortgage on his palace, on his summer home, on the embroidered underwear that sported his initials, and on his gold crown.

Then one day, Doctor Merlin, who happened to be passing by, noticed that the camel drivers were getting sick from inhaling all that dust, and the citizens were getting fat from eating too many bananas and potatoes (the codfish by that time had died out). He wrote a book telling everyone that being fat led to emotional problems, and that inhaling dust could be fatal.

The people heeded the doctor's advice and stopped eating bananas, and the camel drivers stayed home and had coughing spells. So King Bosc II was forced to find more paper to pay the unemployed, treat the sick, and feed all those idle camels.

He pawned his crown and auctioned off his cufflinks, but when he called on the gnomes they said they would not lend him any more, as he was non-performing. So the king had no choice but to go to his rich friends and uncles to inform them that he would take some of their money in taxes.

The rich uncles laughed. They said to the king: "Old boy, that's too bad, we have read your lips. You gave us the world's fastest carrier pigeons and you told us they were used to transport the pieces of paper. For this we are grateful to you.

"Taxes we will not pay, for we have taken your advice and sent all our money abroad to the gnomes and we haven't any left to give you. Long live the globe!"

Soon after that, the gnomes came from abroad and foreclosed on the mortgage, and took over the palace. As they did this, a great multitude of people assembled. They waved placards supplied on the spot by the TV crews, and they cheered the gnomes on.

A little boy who was watching the side door, instead of paying attention to the main event, saw someone sneaking out of the palace. He

recognized the person and yelled: "Look, you guys, the king is naked!"

And so in the fullness of time, the dust settled and the desert reverted to being the Silent Sea where confused people could sit and meditate for 40 days or until they were unconfused.

The moral of the story is: Gnomes know how to peel the bananas to get the highest returns. Kings and viziers haven't a clue - and dust always settles in time.

A. RICO

Professor Rico retreated from the dusty chaos of corporate and government offices several years ago, and now offers unconfused parables from his quiet Canadian home.

(From "The Independent" - National Edition, Elmira, Ontario, Canada N3B 2R1.)

MAASTRICHT AND THE CITY

Extracts from speech by Martin Howe, barrister, 29 March 1993.

First, the legal nature of the Treaty... It is a fundamental, binding constitutional document. A High Court judge has described the existing Treaty of Rome as the "supreme law of this country, taking precedence over Acts of Parliament". Maastricht will, if ratified, join the existing Community Treaties as part of our supreme law. It is irreversible, of unlimited duration, and has no withdrawal or secession clause.

The interpretation and enforcement of this supreme law is not in our hands. The Community Treaties are interpreted not by our courts and institutions, but by the European Commission and by the European Court of Justice at Luxembourg. The Luxembourg Court is not all like a conventional, impartial law court. It is essentially a political body. Its avowed purpose is through its judgments to further the process of European integration.

Economic union will be accompanied by monetary union, according to a three stage process. The third and final stage will be the merger of the participating currencies into the new common currency, the ECU. The ECU will be issued and controlled by a new European Central Bank. The Treaty makes this body totally unaccountable to any democratic authority in its conduct of monetary policy.

The Treaty on European Union ends, irreversibly, our status as an independent nation state. This would be a high price to pay even if there were a mess of pottage in the shape of greater economic growth in return for it. But Maastricht is itself bad for business, and that mess of pottage does not exist. The permanent surrender of our national sovereignty is not even justified at the meanest level of expediency.

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