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THE TOILS OF DEBT

The December Budget debacle in the British House of Commons clearly illustrated the hypnotic grip financial orthodoxy holds over members of all parties and media commentators. At issue: the go ahead for 17.5% VAT on domestic fuel consumption from next April, - as had already been set up in the previous Budget.

Put in proper perspective, the amount of revenue to be raised thereby was no more than £1.2 billion out of a total spending programme of some £300 billion. Moreover, in his budget speech, the Chancellor forecast an underspending of £1 billion. But the £1.2 billion, he argued, was absolutely necessary to balance his books and in particular to demonstrate to the financial markets the "soundness" of his fiscal policy.

The revolt by nine Conservative members who sided with the Opposition not only defeated the Government on this issue but, through subsequent withdrawal of the party whip, effected a minority Government. The lost revenue was later restored by switching the tax from domestic fuel to cigarettes, beer and spirits; and, to underline the message, interest rates were raised by 0.5%.

But the main point to be observed from this absurd episode is that, so far as can be ascertained, no single voice appears to have been raised above the din to challenge the whole issue of Government borrowing and indebtedness. When one compares the £1.2 billion which caused all the trouble with the £19.4 billion and £22.5 billion earmarked to pay interest on public sector debt in 1993/94 and 1994/95 respectively, *the bizarre discrepancy between the real issue and what was perceived by MP's to be critical becomes fully apparent.

Had any member of the house summoned up the nerve to ask the Chancellor what amount of revenue he needed to service the Government's debts, the reply would have had to be that he would take the equivalent of about 10p or 11p in the £ of the standard rate of income tax. And then what a furore might have been provoked in the country!

Such a fundamental matter becomes lost in the mutiny over VAT on fuel.

The latest Treasury bulletin shows that in the year 1995/96, debt interest at £24.5 billion will actually exceed the borrowing target (PSBR) of £21.5 billion. So the nation will not only be borrowing to pay off the interest on existing debt, but also getting a further £3 billion into debt... "Sound Finance"?

The notion positively fostered in the media is that the debt situation of Governments is no different from that of individuals or companies, ie., that it is "sustainable" provided that it is kept within a reasonable proportion of income. Governments in other words, are not sovereign powers able to provide and regulate their own money supply according to the productivity of their national economies, but like individuals and companies, must be subject to the necessity of borrowing from the world's bankers.

Just how disastrous to Governments and citizens alike that doctrine turns out to be is clearly demonstrated in the accompanying chart.

It shows that over the period of fifteen years from 1979 to 1994, the debt situation of 16 countries actually worsened significantly. Only the UK and Norway, by virtue of their North Sea oil revenues, defied the general trend. When these figures are translated into the higher taxes they inevitably engender for the people in these countries, the real

impact of the debt situation becomes more evident. Hence the abundance of real goods and services made possible by scientific progress becomes accessible to consumers only at prices artificially inflated by the ever-present factor of debt interest.

No escape from this situation is possible unless and until democratic governments gain the courage to restore to themselves the right of sovereignty over their own national money supplies, base them on the ever increasing productivity of their real economies, and bring to an end their present unnecessary dependence on the international moneylenders who create money out of thin air. And it should not be thought that the introduction of "Government-created" money into the economy is in any way "unreal economics". There are sound precedents.

For example, the Bank of Canada (wholly owned by the Federal Government of Canada) created more than 30% of the new money needed during World War II, and approximately 15% of total money supply growth during the post-war period. In 1945, Bank of Canada legal tender (ie, notes and coins) was fully 27% of the total money supply (M3), interest rate was 1.5%, and the Canadian economy was booming. Today, Bank of Canada legal tender is reduced to 6% of the total money supply, interest rates are high, the economy is in deep depression, and unemployment stands around 10%.**

Provided always the economy can produce the physical equivalent of whatever is required for government spending, the entire money equivalent could be created, debt and interest-free, without triggering inflation. Only the political will is lacking.

Donald Neale

*Bank of England Quarterly Bulletin, Nov. 1993.

**"Economic Reform", Committee on Monetary and Economic Reform. Issues of October and December, 1994.

THE DEBTORS' GALLERY

	Ratio of gross public			
	debt to GDP (%)	1979	1994	Change from 1979 to 1994
Greece	27.6	109.5		+81.9
Belgium	75.2	146.3		+71.1
Italy	61.5	118.3		+56.8
Sweden	39.6	92.9		+53.3
Canada	43.8	95.2		+51.4
Spain	16.5	64.2		+47.7
Portugal	25.7	70.6		+44.9
Finland	14.4	58.0		+43.6
Denmark	27.0	68.5		+41.5
Netherlands	42.0	80.9		+38.9
Japan	47.0	79.4		+32.4
USA	37.2	64.2		+27.0
France	31.4	57.2		+25.8
Germany	30.8	53.7		+23.7
Austria	36.0	58.5		+22.5
Ireland	71.0	87.7		+16.7
UK	54.9	50.5		-4.4
Norway	62.9	48.0		-14.9

Source: OECD Economic Outlook, June 1994

The withdrawal of the Tory party whip from a few back-benchers in the British House of Commons again raises the question of where does conscience fit into the political system. The British Government has long equated itself with the national interest and its majority hitherto has assured that its might is right, whatever sounds come from the grass roots to the contrary. As the British Prime Minister keeps insisting: party unity and loyalty to his leadership should come first in a Conservative MP's considerations. But is this proper?

In the flawed electoral process obtaining, it would be hard to arrive at anything fair to all constituents but do we need to stand for unctuous diktat? Do our MP's not pledge to serve all constituents?

When a person puts up for representation of a constituency at Westminster, the accepted first step is to establish a common vision, then a common means with a large segment of locals. This grouping then seeks support from an aggregation of like-minded people in similar association around the country. Thus evolves a party and a platform. At this point, our contender has already surrendered individuality and personal judgement to what is broadly peer pressure. Conscience has already been made subject to majority control.

Thus, right from the start, we have no other than compromisers to choose from. When any crunch comes, such persons will be bound to revert to type, however much rebellion they may offer in routine matters. We, can therefore, not be surprised when herd instinct and personal survival join to conquer conscience and "better judgement". We can not be surprised if any number of reasons and pragmatic estimates are pulled out to justify a cave-in. It probably will boil down to "why be killed in battle when we can live to fight another day from within".

This is the reality and we should not be too hard on those who strove manfully for a cause, only to retreat in the face of unremitting fire. They are being true to the price paid for participation in politics. If they can be absolved from utter blame, does this remain true for the rulers who placed them in the predicament we know as crisis of conscience? Whilst the actual circumstances are high-profile issues, it is beside the point to emphasise their importance. Where conscience is concerned, the smallest detail is of significance - "despite not the day of small things".

If back-bench underlings have to subvert conscience even to get there, must it not be that the Prime Minister is in the same situation, writ large?

What, then, of his soul?

That mortals can harden their hearts and defy conscience, - all the more so each time they exercise the right, - is chronicled in the Bible, world conflicts and family strife. Riding roughshod over one's own conscience and other people's can become a habit to the point of addiction. Power that corrupts, eventually indeed corrupts absolutely.

Along with this assumption of power over conscience, self's and other's, goes the conviction that one is wise and must usurp other people's instincts and judgements in favour of what is "right" or what Foreign Secretary Douglas Hurd is wont to call "good sense". The governors are in a position to know, and to know what is good for us. Good for us, good for Europe, good for the world, as their trite phraseology has it.

The Bible is full of admonitions against those who would defy the Kingdom of God in other people. The whole Christian Faith is one of personal sovereignty - but a sovereignty so vulnerable that it can be penetrated in the most outrageous way. In the Genesis story, the serpent took over the sovereignty of Adam and Eve; in the New Testament, the ruling Jews subverted the sovereignty of the man Jesus - in the belief, obstinately chosen, that He was just a man. The new Testament goes on to

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show that through the Holy Spirit, the indestructible Jesus lives on in his followers. But Christians are no less subject to having their sovereignty taken away. Slaves are not above their Master. We cannot expect anything but assault on our sovereignty - another name for conscience. The question is: must we submit, turn the other cheek?

The New Testament is plainly of the opinion that strategic retreat on human terms would be advisable - if early Christians had not fled, few would have heard the Gospel outside the Middle East. But does there come a time when rendering battles to Caesar results in loss of the war?

In many respects, the British nation has gratuitously relinquished the moral high ground of the Christian faith and our Government seeks refuge in a cabal of leaders and bureaucrats calling themselves European Union. Yet it continues with the Queen's Christmas Message to the Commonwealth as if it had not been betrayed. This posturing that Britain's heart is with the Commonwealth when its body is with the European Union is cynicism of the direst sort - and the abuse of every Commonwealth citizen's sovereignty since the U.K. assumes the Commonwealth still "belongs to us" and should be listening.

And here's the nub: a Government that denies its back-benchers the Biblical right: "To his own master, he stands or falls" - likewise denies its traditional circle their say in our affairs.

There is much talk of shared, pooled sovereignty in Europe - yet the Commonwealth had just such an arrangement with Britain. There is much talk of referendum on Europe for the residents of Britain - but none for the Commonwealth.

This is strange because, back in 1931, it was agreed that constitutional change in Britain could only come about with the agreement in Parliament of the Dominions. We cannot go into ever closer union in Europe without the authorisation of Canada, Australia and New Zealand.

In other words, the Government of Britain may bulldoze a way through the conscience of its back-benchers but can it do the same in the Commonwealth?

On June 30th, 1983, speaking at the University of Alberta in Edmonton on the subject of liberty, Prince Charles said:

"...millions of people still do exist under a shadow of gigantic proportions - the shadow of authoritarianism from either end of the political spectrum. Do we actually have any idea of what that means? We can, I suggest, discover something of what it means by listening to those who have suffered, or who are suffering, in a way that is hard for us to imagine. They tell us that they live within a system which derives its inspiration from the basic motivation of a thirst for power, and power alone. In such a system, power is an end in itself - the better to achieve its consolidation and the destruction of all potential enemies. Those who have observed the operation of the system in practice, rather than in theory, will insist that the struggle waged against religion for instance is not for ideological reasons, but for power. This is because a religious man, deep down in his soul, tends to remain free of political parties or any other earthly power."

Prince Charles went on to quote Solzhenitsyn on "a decline in courage being the most striking feature which an outside observer notices in the west today."

CONSCIENCE

The heir to the throne finished his address thus:

" We have an increasing obligation to concentrate on developing our moral courage and a corresponding awareness of that inner force that we all possess, but without which we will be unable to resist that shadow of authoritarianism and at the same time provide a beam of **hope** like a lighthouse on a stormy cliff top, for those who suffer in silence."

Conscience, of course, is always at the mercy of a more earthy predator behind all authoritarianism. Writing in *The Fig Tree* in September, 1938, Charles Jones put it like this:

"Mankind as a whole, and not simply man the politician, has succumbed to tolerated but intolerable institutions which are the vehicles of a perverted idealism, the idealism of financial convention, by which all administrative agencies in the state are suborned. No action whatever can be taken without financial consent, for money, under existing conventions, is the means to all ends."

"The politician is reduced to a writhing servant of financial expediency, and, being bred and selected and conditioned in an atmosphere of idealistic ideas, has not the force to break from the charmed circle, or the wits to perceive the charlatany of restraint. Force must be applied to him from another angle, for his real problem is a choice of masters."

Jones looks for "the sovereign power of will": "a unified democratic will, vocal within the limits of policy (ie, in the predication of results wanted) and unyielding in character (ie, equipped with the irresistible sanction of associated demand for such results)."

"...it will result in the rapid breakdown of conventional oppositions: the party system in politics, the competitive advertising convention in commerce, the whole embittered rigmarole of salesmanship and insurance, the armament race, the fight for livelihoods."

"All these antagonisms are the outcomes of artificial limitations of opportunity. Association, the antithesis of competition, does not produce minimum opportunity with maximum friction, but itself begets an inevitable increment transcending opportunity."

"The party system thus yields to a politics of performance in accordance with the popular will for results, and without the heat of interested obstruction. The sole function of administrative Government is to ensure that the expert produces the results required by public policy. The increment resides in the concentration of expert ability upon universal welfare as defined in democratic demand. What one man cannot accomplish for himself at any time is accomplished for all men at once, because democracy itself is the highest form of association."

IAIN McGREGOR

ON LIBERTY

Jacques Maratain wrote: "*If men will not consent to be ruled by God, they must accept to be ruled by tyrants*".

Now there is *The Principle of Liberty* by Michael Sartorius - a well - argued case in non - technical language for a return to the principle of Government based upon Cicero's concept of "Natural Law". This law is above the transient officers of state and the interests of either lawless majorities or powerful minorities. Sartorius argues it must be based upon "a fundamental and universal law that each and everyone should enjoy the maximum liberty without infringing the liberties of others. Only in liberty will the flower of civilisation unfold".

The gauge of civilisation is well said to be a state of society in which the weak are protected and the strong are restrained, and this is the essence of Sartorius' "*Law of Liberty*". Of particular interest is his distinction between the principle, first formulated by Cicero, of a pre-existing "Natural Law", which while accessible to human reason is independent of human will, and man-made "laws". Where the latter conflict with the former, they are judged by Cicero (and by Aquinas) to be ultimately worthless.

Democracy, as it is understood, ie, "Majority Rule" determined by the ballot box, does not, and cannot guarantee just Government, unless it is subordinate to "Natural Law" and the "Principle of Liberty".

from ANTHONY COONEY

The Principle of Liberty:

Michael Sartorius, Arton, Ringmer, Sussex.
ISBN 0-9522330-1-0, 160 pages, softback, £7.95.

RECOMMENDED READING

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

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THOMAS EDISON ON DEBT

Why should a Government pay interest to a private banking system for the use of its own money, that it could issue itself without interest?

This is exactly what the Social Creditors of the "Michael" Journal demand, when they urge the Federal Government to take back its power to issue the money for our country. American inventor Thomas Edison - who was far from being a fool - also agreed with that proposal. Here is what he said in an interview published in the New York Times in 1928, upon his return from an inspection trip to the Muscle Shoals hydro-electric station on the Tennessee River.

«If the currency is issued by the nation, \$30 million for financing Muscle Shoals, it will be the proper thing to do. Once the currency method is tried in raising money for public improvements, the country will never go back to the bond method...

«Now here is (Henry) Ford proposing to finance Muscle Shoals by an issue of currency (instead of bonds). Very well, let us suppose for a moment that Congress follows his proposal. Personally, I don't think that Congress has imagination enough to do it, but let us suppose that it does. The required sum is authorised - say \$30 million. The bills (money) are issued directly by the Government, as all money ought to be.

«When the workmen are paid off, they receive these United State bills. Except that perhaps the bills have an engraving of a water dam instead of a railroad train and a ship, as some of the Federal Reserve notes have, they will be the same as any other currency put out by the Government; that is, they will be money.

«They will be based on the public wealth already in Muscle Shoals; they will be retired by the earnings and power of the dam. That is, the people of the United States will have all they put into Muscle Shoals and all that they can take out for centuries...the endless wealth-making power of the Tennessee River...with no tax and no increase in the national debt.

- But suppose Congress doesn't see it, what then? Edison was asked.

«Then Congress must fall back on the old way of doing business. It must authorize an issue of bonds. That is, it must go out to the money brokers and borrow enough of our own national currency to complete great national resources, and we must pay interest to the money brokers for the use of our own money.

«That is to say, under the old way, any time we wish to add to the national wealth, we are compelled to add to the national debt.

«Now, that is what Henry Ford wants to prevent. He thinks it is stupid, and so do I, that for the loan of \$30 million of their own money, the people of the United States should be compelled to pay \$66 million - that is what it amounts to with interest. People who will not turn a shovel full of dirt nor contribute to a pound of material and do the work.

«That is the terrible thing about interest. In all our great bond issues, the interest is always greater than the principal. All of our great public works cost more than twice the actual cost on that account. But here is the point.

«If our nation can issue a dollar bond, it can issue a dollar bill.

«The element that makes the bond good, makes the bill good also. The difference between the bond and the bill is that the bond lets the money brokers collect twice the amount of the bond and in addition 20 percent, whereas the currency pays nobody but those who contribute directly to Muscle Shoals in some useful way...

«It is absurd to say that our country can issue \$30 million in bonds and not \$30 million in currency. Both are promises to pay, but one fattens the usurers and the other helps the people. If the currency issued by the Government was no good, then the bonds would be no good either. It is a terrible situation when the Government, to increase the national wealth, must go into debt and submit to ruinous interest charges at the hands of men who control the fictitious value of gold.»

Thomas Edison

Reprinted from "Michael" Journal, September-October, 1994

THE NATIONAL LIBRARY OF SCOTLAND

"The most important collection that came to the library on deposit during the year was the library of the Social Credit Secretariat. It comprises approximately 800 books and pamphlets on, or relating to, the Theory of Social Credit, which influenced many significant twentieth-century literary figures, notably the Scottish Poet, Hugh McDiarmid. The Social Credit Secretariat was founded by Major Clifford Hugh Douglas (1879-1952), the originator of the economic theory of Social Credit".

Extract from the Annual Report 1993 - 1994

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