

Economics - The Exciting Science

By Edward Minton

April, 2013.

Economics is the most encouraging, exciting and challenging science open to men. It can either command or influence every aspect of human life, and is often only limited by our imagination. It would have long ago been pressed more effectively into the service of increasing human happiness, had it not been given such a very bad press, so that often only the dullest spirits have associated themselves with it. The blame for this lamentable state must be placed firmly at the feet of one Thomas Robert Malthus (1766 – 1834).

For Malthus, all economic states inevitably drift towards poverty, want, starvation, war, pestilence, plague and suchlike. After him, economics was forever to be known as *the dismal science*.

He arrived at these uninspiring conclusions via mathematical observations. Since he held that populations increased in geometric ratio, that is by 2 becoming 4, becoming 8, becoming 16, 32, & 64 etc., and food production increased only arithmetically in the manner of 2 becoming 3, becoming 4, 5, 6, & 7 etc., the population inevitably outstripped resources. This continued until brought into balance by one or more of his unhappy inevitabilities named above.

The theory is so ridiculous that beating up on Malthus is akin to beating up on crippled old ladies. It is totally at variance with actual experience. In Western countries in 1900, farming commanded the efforts of 40% of the population. By 2000 less than 1% produced an even greater abundance of food, and obesity was a rising problem. C. H. Douglas, who developed a radically different and exceedingly hopeful economic outlook during World War I, once said that prophecy is the true test of science. By this gauge, the Malthusian contentions (and those of his friend Ricardo) were not science at all, just dismal.

Malthus's legacy today is that Economists still persist in seeing their role as managing scarcity, while on all sides abundance is more in evidence. (1)

The one contemporary economist who was more famous during his life than Malthus, was his friend David Ricardo (1772 – 1823). In terms of pessimism he runs a pretty close second to Malthus. John Kenneth Galbraith's "The Age of Uncertainty" gives the following summary of Ricardo's ideas under the heading "The Ricardian View" ... *"In the Ricardian world workers would receive the minimum necessary for life, never more. This was the iron law of wages. It led, among other things, to the conclusion that not only was compassion wasted on the working man but it was damaging. It might raise hopes and income in the short run. But it accelerated the population increase by which both were brought down. And any effort by Government or trade unions to raise wages and rescue people from poverty would similarly be in conflict with economic law, be similarly frustrated by the resulting increase in numbers."* (2)

Enter C. H. Douglas and Economic Democracy

Summoning expletives adequate to the task of describing the dominant prevailing economic dogma before the coming of Douglas, is rather taxing. "***Mean-spirited, wrong-headed, vicious in its implications, and just plain wrong***" seem to be inadequate under-statements. Where these views made policy, misery followed. "Dismal" is far too complimentary, and "science" is out of the question. Economics had become a "miserable speculation". It need not have been so. Adam Smith, the

founder of economic science tried to explain its governance in terms of a commonly beneficial self-interest. Ricardo and Malthus ran off at tangents insisting, if not exulting, that catastrophe alone was to be found at the end of the rainbow.

The creative potential of economic thought resides at the meeting place between the real and the symbolic. On the one hand there is the real wealth, the barrels of apples and the loaves of bread, as it were, and on the other, there is the symbolic reflection of the real, a type of artificial command structure, which we call “money”. There is the real wealth that one can eat, wear, or shelter in, and then there is a set of accounts which record numbers, and which, to have any meaning at all, must relate to the “real” economy.

Money – A Flexible Symbol

To help to explain, I will recall a very funny incident of a few months ago. After months without turning on a television set, without any explanation known to me, I did so. Behold, there was Parliament in full swing debating a proposal to build a large number of dams. Perhaps 100 might be built for irrigation and power generation. The opposing Party was rubbishing the idea of course, and a gentleman was in full swing doing so.

In loud and dramatic tones he exclaimed “Where will the money come from? **Where will it come from?** It’s just not there! **It is just, not, there!**” I burst out laughing, and struggled to contain myself.

This poor man had never, apparently, been acquainted with where money comes from at all. The amount of money in existence varies only with the action of Banks. If they double their loans (since they have never yet reduced anyone’s deposit to do so) then they double the amount of money in existence. If they call in half their loans, they halve the money supply. The money supply is the one thing in the economy which is totally and always variable at will.

To say that the money is “just not there” is like explaining that publishers with paper and ink must cease operations because they are without numbers for the pages; or saying that the Taxation Office can no longer function because of a chronic shortage of vowels or consonants. A dearth of full stops or commas would stop the country!

Dollars, just like other symbols, can be either infinite, or absent, or anywhere between these points. The only thing determining this is our will in the matter. Individuals may experience shortages of course, but the amount of money in any Nation is purely a matter of policy. This policy, probably the most important matter of public administration that exists, is not made by the public or even by Government, but by those who create and control the terms of distribution of credit. Banks’ policy dominates Governments, just as Aces trump Kings in a game of cards. This state of affairs is a convention of course, it is not a natural law. Society has within it the power, if it so choose, to assume control of the issue of money and credit. In any case, whether or not society does so, it will always own and suffer the consequences.

On Debt

There are other ways in which current economic conventions misrepresent economic reality. One sometimes hears the statement that “Society is living beyond its means.” This, happily, is impossible. None can consume food which doesn’t yet exist, nor wear cloths made from next years cotton crop. There is no debt in nature. If it doesn’t exist we can’t use it. When we symbolise wealth, or mirror real credit with money, it is possible to do so completely at variance with nature.

In net terms, modern societies have no money at all. We have debt owing to our banking systems, and when this is spent those who receive the payments have deposits. When these deposits are used to repay the debts, both the debt and the money are cancelled out of existence. No modern economist disputes this now, though most would have done so 100 years ago. There has been a development of thought.

So in nature there is no such thing as debt, yet under the conventions which we currently follow in symbolising wealth, there is nothing except debt. If we used all of our bank deposits to repay our bank loans there would then be no money at all left in existence. Now this is a perfectly satisfactory arrangement of course, if you believe that economics is dismal, or that it should be so, for if the whole world is enmeshed in unrepayable debt it will contribute a great deal towards making it dismal, which proves that it is dismal.

Those who believe that the truth of our economy is one of abundance, also believe that it is possible to release this reality by doing things differently. Money can be created and put into circulation either as a debt or a credit to society. If issued as a credit this would benefit everyone except the current beneficiaries, the Banks, so we must put this right out of our heads for the moment, as not being conducive to a proper dismalness.

Increased Purchasing Power Necessary

Douglas however had much more which was of an exciting nature to contribute to economics; both of the excitement associated with a pleasing anticipation, and that occasioning panic. He made so audacious as to kick what was to Ricardo a sacred cow, Say's Law. This held that there is always sufficient purchasing power in the market place to purchase the products offered.

Douglas contended that as capital employed in production increases and lead times lengthen, much of the costs incurred in paying people to produce may occur years before the final consumer product reaches the market. These incomes are expended upon the products of previous periods and are not now available. While this diagnosis was arrived at by Douglas in 1917 and widely published in the early 1920's, it was not until the mid to late 1930's that it was openly accepted, as it still is, though never with acknowledgement. Prior to this, the delay in ending the depression was due to the unacceptability of Douglas's solutions which were aimed at efficiency **in terms of human satisfaction.** (3)

John Maynard Keynes plagiarised Douglas's diagnosis and successfully claimed it as his own with the heavy assistance of the banking establishment, for he argued for overcoming the deficiency of purchasing power by increasing indebtedness to the Banks. All those capitalists and socialists who sought the centralised control of the human organism favoured this, as it allowed denial of access to purchasing power for obtaining nature's necessities, except upon imposed conditions such as employment, regimentation, or submission to large impersonal institutions.

Inflation

Once the appropriate amount of increase in the money supply was determined, Douglas advocated its distribution to individuals as a National Dividend, conditional upon nothing but their citizenship. This was such a happy and satisfying prospect that of course it was rejected outright, because economics, by definition, must be dismal.

The only other acceptable way of distributing additional purchasing power when required, Douglas suggested, was through a form of "reverse taxation". Just as taxes on sales (or GST's) increase retail prices, a discount on prices paid from money

increases would decrease prices. In times of inflation this mechanism could be used to end it.

We know that this works in stopping inflation, because for three years it was used in Australia with that result.

The Year Book No. 37 published by the Bureau of Statistics in 1946-47 tells the story. The figures quoted are from Year Book 54 of 1968. At the outbreak of war in 1939 the Retail Price Index (RPI) was at **153**. (The Base Year of 100 was in 1911.) Price controls were introduced and vigorously applied. Even so, by 1943 the Retail Price Index (RPI) was **188**. The reason for this was that while price control could limit price at the top, it was powerless to dictate the bottom price. If an item cost \$10 to produce, authorities could limit its sale price to \$11 or \$12. If they limited the sale price to \$8 or \$9, production stopped and so did the war effort.

These war years were easily the most difficult ever experienced in controlling inflation. Millions of people in a small economy were doing things which had no value to our economy. They were intended to help destroy the Japanese economy, and enhance the war effort, not to produce anything of intrinsic value to Australia. The money supply was being rapidly increased without any product coming onto the market as a result of these people's efforts.

However at this point it was decided by John Curtin, Australia's Prime Minister, to end inflation. Some of the money supply increases were to be applied to discounting down the price of many basic commodities. The cost of living didn't rise, so wages didn't need to rise either. From a starting point of the RPI at **188** in 1943, in 1944 it was **187**, in 1945 it was **187**, and in 1946 (John Curtin was now dead) as the anti-inflationary measures were already being phased out it grew to **190**. Thereafter it was inflation as usual. Five years later in 1951 the index hit **313**.

Using some of the money supply increases to end inflation was far too jolly. All money supply increases being added to the Assets side of Bank Balance Sheets was a preferable option. Another notable triumph for dismalness.

Employment

As one farmer came to be able to out-produce 40 in a preceding period; as we went from producing nails by hand at a rate of about 100 per man per day, to producing 100,000 per day with automated machines; as a seamstress making one shirt per day was replaced altogether by a factory which cut, sewed, ironed, folded, pinned and boxed thousands with no visible human presence on the factory floor, we became an outrageously profitable society. What were we to do?

The people displaced in the work place still had to be employed in order to live. If money was issued to enable people to access this unworked for abundance, there were two options for doing it.

Douglas suggested that a National Dividend be declared sufficient for distributing those goods for which earnings from employment were now insufficient to buy. This would partially, and progressively, replace employment as a source of income. Those so freed from "full employment" would employ their time in ways of their own choosing. Some would teach their grandchildren to play a musical instrument, some would build another room on the house, some would have another child and others would visit the sick or entertain the aged. This prospect unfortunately was received with joyful expectations; so of course, it was rejected as an economic option.

The dismal science decreed that every elimination of employment had to be negated, undone, or set to naught. We have had over 50 years of creating unnecessary work and the evidence is all around us. In my own small personal world it is apparent,

as it is everywhere. Please suffer me to hear my lament. I assure you it is dismal enough to qualify as economics.

A Little Man's Lament

Two years ago I decided to build a shed. The plans had to be drawn up by a professional. To meet the regulations they came to 21 pages of A3. To get them drawn up and then passed by the Council took 6 months. The plans cost the equivalent of 2 months wages. I'll spare you the rest, but this is only part of what had to happen before the job was started. The shed took 10 man/months to build.

Last month I wanted to register a small trailer. I live in a semi-rural area so it is an half hour drive each way to get the necessary forms. Yes, yes, I was assured, these 2 forms are all you will need. I get home and read the forms, fine print and all. There are some sections in which it is difficult to know what to tell them for the best. I drive a few miles and ask a professional trailer builder how best to fill in the forms. We either have to take weeks getting proof of the history of the trailer (and may not succeed), or we can craft a few white lies. Even so, we need a VIN number. How do you get one of these?

You guessed it. Drive back to the Department, wait in a cue, get the form to fill in to apply for a VIN, present it at the counter and ask for the VIN. Oh no! It won't be available until tomorrow as we are a "manual branch" of the Department, whatever that means. I get home 2 ½ hours later.

Next day I'm off again to wait in a cue. Yes they have the VIN for me. But I can't pretend that I have had the VIN number engraved on the trailer plate yet and fixed to the trailer, so I can't register the trailer.

Next day I'm on the road again. I wait in a cue, and get service at 12.14 pm. Sorry, but we don't register new vehicles between 12.00 noon and 2.00 pm. I spend 2 hours grinding my teeth while minutes seem like hours. Two o'clock comes and the mandatory lies have to be repeated verbally, and then, I could kiss them, the trailer is registered. My torturers have stopped; they must be saints to do this for me!

Who could have guessed that monstrous tormentors would forego even the least opportunity to inflict pain. I am dizzily befuddled, for who would dare to act so determinedly against all that is gloomy, dreary, cheerless and melancholy, and in accord with joy, happiness, life and the nature of exultant spirits?

Confusing indeed, but there is always more. A feral Government in our little woods, decided (in its last death throes, before electoral backlash) to combine our Local Governments to produce something otherwise. This was done, we were assured, to ensure greater efficiency. It may have, but at the end of the exercise I managed to get some statistics from our "nearest largest Regional Government."

For every person at the coal face (that is, driving a grader to make roads, or laying pipes for plumbing, or erecting street signs) there were 8 people employed in administration.

So what is now the purpose of employment? Doing things? Service to others?

Employment is now increasingly a means of distributing incomes. If 1% of Australians can produce all the food we need and more, why should we use 5%? Food, clothing and homes, from collecting raw materials to producing and distributing the finished products take less than 5% of the population to deliver. Certainly there are "extras", like education (though some of the best educated people I know were taught at home by their mothers, which, with only some of the modern aids, took 2 hours per day), entertainment (the most part of its distribution, being through the internet, is almost costless) or transport (the assembly lines for manufacturing conveyances are now increasingly robotised).

If we put half of the effort we now give to creating employment, into removing employment and replacing these wages with a national dividend of the same value, we could release increasing amounts of our time into service, activity, or work of our own choosing. We wouldn't all be sprung from employment tomorrow. It would be a process, however, as Confucius said of the longest journey, it begins with the first step.

As information driven machines progressively take over much of the functionality now performed by humans, our perceptions will change. Will the Central Business Districts of large cities be viewed in some future age, as the day care dormitories for adults caused by the attempt to make wage-slavery universal, which was called in those times "full employment"?

The destruction of free chosen activity and the imposition of external force over the human spirit, through the will-to-power espousing full employment, succeeds for one reason. Thus far the separation of **empayment** from **employment** in the human mind has not been attained.

If the creator of all things; earth, sun, atmosphere, plants and animals etc. bequeathed everything to man debt free, while man distributes the one thing wholly created by him, money, as a debt, only as a debt, and wholly as a debt, it is surely cause for reflection. May we wonder, if it doesn't work as the sane would have intended?

We've got something much more exciting than *barbarians at the gate*; we've got *buffoons in the sanctuary*. We'll have an incredibly good time ahead of us poking fun at them. They're so damned guilty they'll have to stack, rig or buy any forum to make themselves look good. Derision and joy both give good belly laughs, and in the *exciting science of Social Credit* we neglect neither. It is so terribly jolly, exciting and promising of good-will-towards-all, that we can, with determination, resolve, and good fun give a wholly new meaning to the expression "*we're laughing all the way to the Bank*".

Economic students, young and old of all the countries of the world, unite, have some fun, there is nothing to be lost but the orthodox economics lecturers' pomposity!

WHO CREATED CHAOS?

A story is told of three professional men -- a doctor, an engineer, and a financier—debating which of them belonged to the most honourable and ancient profession.

The doctor said: "Mine is easily the oldest. Don't you remember that in the beginning Eve was made out of a rib from Adam's side? Well, there's a surgical operation for you."

The engineer said: "Yes, but before that happened, don't you know the whole world was created out of chaos in six days? Now, there's an engineering feat for you."

"Ah! But who created chaos?" **said the financier.**

Footnotes

- (1) Please see the green grocer, hardware store or supermarket near you.
- (2) John Kenneth Galbraith, 1977, *The Age of Uncertainty*, published by British Broadcasting Corporation, 35 Marylebone High Street, London W1M 4AA, page 35.
- (3) See C. H. Douglas's major works of the early 1920's; *Economic Democracy*, *Social Credit*, and *The Monopoly of Credit*. See www.socialcredit.com.au