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FOR POLITICAL AND ECONOMIC REALISM

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INFLATION

It is of vital importance that the key demonstrations which together constitute the case for Social Credit should receive simultaneous expression. This is exactly what the authors of the Revolution are bent upon preventing, and whereas large-scale organisations, business or political, meet deeply considered and organised opposition late rather than early in their progress, and after rather than before they have secured for themselves an adequate 'platform,' personal and financial, we, owing to the exceptional insight displayed by Major Douglas into the realities of the world historical development, have to make headway, if at all, in face of powerful, resourceful and determined opposition from the start. Most if not all issues of *The Social Crediter* contain material carrying forward the argument 'on all fronts,' but we appreciate that, to make full use of it, reference backwards and forwards is an assistance, and readers have not the time to complete this preparation for themselves. As a collateral rather than a subordinate service in helping readers to extend the influence of the paper, we again print the following collection of references on the Inflation issue:—

Now there is one unchanging feature of every social, economic, and military conflict of the last two thousand years at least. Governmental systems may change, kings may be replaced by presidents or dictators, feudal customs may give way to oligarchies or soviets. Through them all runs the dual thread of money and prices.

Yet this purely artificial, and fundamentally helpful system has been the target of attack throughout the ages. Not once, but many times, men have risen to denounce the evils which they have traced to its perverted use. And all these men, as far as I am aware, have come to the same conclusion. The evils which have arisen from a defective use of the credit system are without exception due to the use of it as an instrument of policy and not as an accounting and distributive system. This is the financial embodiment of the basic cleavage between Socialism and Social Credit, between Judaism and Christianity.—C. H. Douglas, *Programme for the Third World War*, p. 54.

Shortly, the characteristics of inflation are: enormous increase in production, fantastic rises in prices, speculation, submergence of the professional and so-called cultured classes, centralisation of economic power, and industrial serfdom. There is little unemployment, at any rate for a time, but if you are unemployed, you starve immediately. Your immense output cannot be internally absorbed . . . the urgent necessity of markets means certain war, sooner or later, and the greater the inflation the sooner the war must come. In the meantime, however, you become more

capable of the immense output which war demands; and your centralised industrialists, who do not expect to line the trenches, regard the prospect with complacency.—C. H. Douglas, *The Breakdown of the Employment System*, p. 3.

If I have made myself clear, you will see that credit issue and price-making are the positive and negative aspects of the same thing, and we can only control the economic situation by controlling both of them—not one at a time, but both together, and in order to do this it is necessary to transfer the basis of the credit-system entirely away from *currency*, on which it now rests, to *useful productive capacity*. The issue of credit instruments will then not result in an expansion of money for the same or a diminishing amount of goods, which is inflation, but in an expansion of goods for the same or a diminishing amount of money, which is deflation.—C. H. Douglas, *The Control and Distribution of Production*, p. 49.

No monopoly has ever existed in the world such as the monopoly of credit: the monopoly of those tickets which are producing your effective demand.

No monopoly has ever existed of such far-reaching powers as this monopoly, and it would be absurd for us to say that those who are in possession of that monopoly will not fight to retain it, and therefore you may expect that all possible misrepresentation and confusion, which can be thrown into this matter, will be thrown into it, and is thrown into it, and one of the very favoured devices is to suggest that anything which is a change towards producing more purchasing power is something that is called "inflation."

Well, now, let me define the thing. There is such a thing as inflation: there was inflation in Germany after the War, and in Russia and elsewhere. Inflation is an increase in the number of tickets accompanied, mark you, by a corresponding increase in prices. So that both price and effective demand are equally raised, and the purchasing power in that case is decreased. That is true inflation, and simply amounts to a tax upon those people who already have purchasing power because their purchasing power, owing to the rise of prices which is produced by true inflation, will buy less.

They are simply taxed to the extent of the inflation, and that is exactly the thing which the orthodox economists and the bankers are asking to take place at the present time when they say that what is required is a rise in prices.

(Continued on page 3.)

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Clear Your Minds

by C. H. DOUGLAS

(Originally published in 1949)

During the various phases of crisis which, in the Armistice years, led to the resumption of war and the present multiple tyranny, an accusation was levelled at the orthodox economists. It was said that, during that period, they had not made one single contribution to the solution of the nightmare of poverty amidst plenty. This may have been unfair; many of them suggested the abolition of plenty, now in progress.

A prominent economist of Cambridge commented on this accusation. He said, "It is not the province of a professional economist to suggest remedies—his business is to take the existing system as it stands, and to explain how it works."

This statement did not receive the attention which should have been given to it.

The emphasis of affairs has now definitely shifted from finance to politics and in a competent article in *The Nineteenth Century* on "English Conservatism" (January, 1949), Professor W. L. Burn by implication takes the same line in the wider field. To consider one example only, he remarks "It was politically impossible . . . for the Conservative Government in 1935 or 1936 to embark on that intensive re-armament and the correspondingly vigorous foreign policy which might very well have prevented the war."

In both of these dicta we seem to sense the presence of a Power which is impervious to both common sense and common interest, if such things exist. It is not so much a question of whether re-armament was the right policy in 1935—the point is that those in the Administration (Mr. Baldwin *et al.*) could not pursue it, because as Mr. Baldwin engagingly said, they would have lost an election.

Now, in essence the explanation of the situation is simple, and no-one who will study the facts can miss it. We are in the presence of *usurped Power*—a kind of schizophrenia of the individual; and just as power, *ability* in the

individual requires a body and mind, so this *usurped* or Frankenstein Power automatically, as seen from our standpoint, clothes itself in institutions, obedient to the usurped power.

Let us halt at this point lest we miss it. There is no possibility whatever through the agency of institutions designed or moulded for the use of *usurped Power* to restore power to its legitimate *locus*, personal responsibility proportionate to power exercised.

Just as a maniac is irresponsible, so an irresponsible voter is a political maniac, and would know it if he were not. Power without responsibility is the broad way which leadeth to destruction and the World of Nightmare.

Hire-Purchase

by JAMES GUTHRIE

(Conclusion)

What people have to realise before it is too late—that is, if it is not too late now—is that neither they nor their political parties have had any appreciable influence on the policies behind finance, taxation or immigration. Dr. Coombs, Governor of the Commonwealth Bank, as dictator of financial policy, can decide in which direction and under what conditions this country is to develop. He possesses the master key for locking together into a very tight little circle the directors of the various monopolies. We can say very confidently that in the spheres of politics, industry, trade unions, publicity and the universities there is no such thing as an effective opposition; as in Russia, the voice of officialdom is supreme throughout.

The carefully selected men who control the monopolies are unanimously agreed that what they want for quick decisions and efficient operation is the removal of any possibility of effective opposition; in other words, they want, and have practically obtained, the complete centralisation of political and financial power at Canberra. All that is required to reveal the completeness of the organisation of the totalitarian State is an emergency; this emergency can be arranged when necessary.

Whenever a single national objective over-rides all other objectives the nation is in a condition similar to that of a "state of war," and the government becomes, as Lord Acton pointed out, absolute. At the present time, this condition is being fulfilled by a permanent type of emergency which goes under the name of 'Industrial Expansion,' and this is being used to brush aside criticism and to justify such things as the destruction of the power of State and municipal governments, the liquidation of small organisations, the confiscation of savings by inflation, and the confiscation of property by penal taxation.

The policy of rapid industrial expansion being imposed on a defenceless population is being justified by various dark hints and ominous threats of millions of hungry Chinese looking with envious eyes on Australia; apparently the Chinese will not be satisfied until there are many more millions of people in Australia. To escape from this dire peril we are being asked to step up immigration and to surround every town in Australia with endless rows of mass-produced houses containing a polyglot congeries of

docile clock-punchers. The idea appears to be that if we can fill up every rabbit warren with human beings there will be no room for Chinese—of course, and no room for any decent Australian.

Rapid increase in immigration and rapid industrial expansion is not only the quickest way of destroying the natural resources of a country; it is the quickest known way of destroying the cultural unity of a people; once that is done there is nothing left.

I don't think it is a very bright idea to destroy your own country now from within, just because somebody says that at some time, not stated, your country will be destroyed anyhow from without.

The A.B.C. commentators never tire of telling us, with very obvious approval, of the upsurge of "nationalism" in the various countries of Asia and Africa, and of how people everywhere, even the most helpless and primitive people, are determined to eject the foreigner, and to rule their own countries in their own way. One wonders why it should be so very 'evil' and so impossible for Australia to do the same thing. Why can't we decide what our own destiny is to be, and fight for it? And I think the time to fight is now.

For The Record

With permission, we republish the following letter from American Opinion, September, 1959. With the writer's consent, some expressions, where indicated, have been omitted. Editor T.S.C.

28, Ridgmount Gardens,
London, England.

26 June, 1959.

Dear Bob,

Today I had a meeting with a monocled . . . "Count," who has just served eight years in Wakefield prison for false pretences. He told me that for the last five years he worked with Klaus Emil Fuchs (now released) in the prison library. There is a central library service for all the English Prisons, which will get a prisoner any book he needs for study, whether of a quite modest or of a highly specialised nature. Fuchs was provided with a stream of new books on nuclear physics. In addition, the "Count" taught Fuchs French in exchange for Fuchs' teaching him German. It may be coincidence that the French are streaking ahead in nuclear physics. To help Fuchs get on with his French studies the Governor of the prison kindly arranged for a supply of Linguaphone records. . . . Fuchs told the "Count" before he left that his mind was working on the possibility of space stations, and that he hoped to put his theoretical speculations into practical effect. He is now in East Germany. . . .

. . . I don't believe that anybody could keep fully up-to-date with the wildly changing world of nuclear physics from books alone. He would also need a mass of periodical literature in a number of languages, not to mention laboratory experience, to find out about the experimental failures which are of great though negative value. Nevertheless, much of what the "Count" said would hardly be invented, it is so easily checked. Fuchs must certainly be far be-

hind in his homework, but by no means so far behind as we have been soothingly told. . . .

. . . As you often quote—no wonder we are losing.

Regards,

(Signed) Colm [Brogan].

INFLATION—

(continued from page 1.)

So that we are at one with those people who say that inflation is to be avoided.—C. H. Douglas, *The Use of Money*, an Address at Christchurch, New Zealand, 1934.

In fact, although it has been kept out of the daily press, with the exception of brief references in the financial columns, it is becoming generally known that the banks have already created large amounts of credit which has been used as additional purchasing-power by the Government to pay for war supplies . . . but the money (credit) which the banks create and make directly available to the Government, does not come through the productive process. It does not form part of the costs of any product, and it need not therefore raise prices. It is not the same thing as increasing salaries or wages which have to be entered into the costs of some product. This being the case there is absolutely no reason why the Government cannot by legislation regulate prices at a level which makes a reasonable allowance for cost plus profit. The Government has shown already that it can regulate prices. If this is done, therefore, whatever the amount of new money issued as purchasing power, prices can be prevented from rising and the producer and retailer will not suffer, because their costs are not increased.—*The Inflation Bogey* by J.M. in *The Social Crediter*, February 22, 1941.

The extent to which INFLATION has been "groomed" for star-bogey-dom was apparent from the manner in which Mr. Montagu Norman was able to address his listeners over the wireless on October 9. Discussing the sources of money to finance the war he stressed the necessity of investing in war bonds lest we should have recourse to, "the source I hesitate to mention—the unmentionable source . . . which makes everyone tremble at the knees to mention its name—inflation."

Even the *Financial News*, which has recently been advocating the restoration of the incentive of monetary gain to both employers and employees in order to increase production, while admitting that in such a case inflation might tend to occur, says that its evil effects could be countered by certain measures—it suggests strict rationing.

Possibly the financial powers foresee that in the near future they will be forced into openly unorthodox methods of finance, and by keeping alive in the minds of the public the fear of inflation are leaving themselves a backdoor to regain more 'orthodox' methods when the pressing need of war time conditions is past.—*The Social Crediter*, October 25, 1941.

THE INFLATION RACKET: Prices current in Chester in 1740. Beef and mutton, 2d. per lb.; pork 1½d. per lb.; tobacco, 10d. per lb.; beer, 3/6 a barrel. The rise

in prices very roughly parallels the increase in the National Debt minus improvement in process, and dates from the foundation of the Bank of "England." It has operated to defeat all improvement of process, and invention, resulting in forced exports and war. The mechanism is simply the price "system" of charging the highest the public will pay, and issuing new money as loans, thus reimbursing the financial institutions for taxation and higher costs.—*The Social Crediter* September 18, 1943.

Algerian Burgundy, which is a good and wholesome wine costing about two pence a quart in Algeria, is now on sale in this country being distributed "under the direction of His Majesty's Government at a controlled price of eight shillings a bottle.

You see . . . how important it is to avoid inflation, which is a rise of prices, and how "the Government" is taking the lead in this noble cause. But you may overlook two other facts: (a) that Algerian burgundy won't keep, and so we must stop getting something for our trouble in North Africa, (b) That, after taking ten shillings in the pound off you in income tax, "the Government" is doing everything possible to give you a lead to price-inflation, so that your remaining ten shillings will buy less than half what it otherwise would purchase. Beginning with 2½d. stamps in the first weeks of the war.—*The Social Crediter*, September 25, 1943.

It will be noticed that managed currency systems ostensibly intended to keep price levels constant, are incompatible with economic decentralisation. Managed currencies are controlled currencies and require a controller. The essential requirement of a free economy is radically different. In such an economy the proper function of money is to reflect facts, not policy. If it is a fact, as of course it is, that the "costs" of production are in reality, if not in unstable currency units, decreasing, then both individual prices, and consequently price levels ought to move to lower levels to reflect this process. The argument that falling prices mean loss to production and stagnant trade is merely perverse. Compensated prices even of a crude and unscientific type are a day-to-day process at the present, and deal with this situation simply, comprehensively and successfully.

. . . every rise in price, whether direct, or in accompanying taxation, is a transfer of economic sovereignty from the individual to a centralised Sovereign. And the imposition of any condition of law on the free purchase of any article is a similar transfer . . .

Falling prices, by themselves, are the most perfect method of passing improvement of process on to consumers. They have the effect of increasing real and psychological credit and raise the international exchange value of the unit, which loses any economic reality if "controlled" or "pegged."

There is no evidence to indicate that a nationalised banking and currency system would be anything but more oppressive than a partly decentralised system. Each approach to centralisation, and this approach has been rapid, has increased the tyranny of Finance, a tyranny which in itself is technical, but becomes political by reason of the immense advantages which accrue to its manipulators.

There is no more effective claim to totalitarian power than the claim to the sole right to issue and withdraw (tax) money, and no mere manipulation of monetary technique which does not resolve and decide this question can do anything but complicate the problem.—*The Social Crediter*, 1945.

Mr. Herbert Morrison bids fair to rival Viscount Snowden as the darling of the City and the international financier. At a love-feast to celebrate the centenary of the *Economist*, which is edited by the ineffable Geoffrey Crowther, and commonly considered to represent the views of Sir Henry Strakosch, who in turn represents the South African Gold interest, Mr. Morrison and Mr. Montagu Norman appear to have been the chief guests. Mr. Morrison did not repeat on this occasion the celebrated dictum of Viscount Snowden acclaiming the Bank of "England" as the greatest moral force in the world, but just you wait, Clarence.—*The Social Crediter*, September 18, 1943.

Certain propositions have always been fundamental to the Social Credit approach to the Finance-Economics problem, and are unique to it. They are:

The core of the problem is *cost*. Either the industrial-technological system provides lower unit costs or it is valueless. It is not an attractive system, *per se*. If it provides lower unit costs, these ought to provide lower unit prices, *i.e.*, higher purchasing-power *per* monetary unit.

We are more than ever, if possible, convinced that a falling price-level, without loss to producers and entrepreneurs is the very core of social and industrial pacification. And we are equally convinced by thirty years specialised experience and observation that the coterie which is at the heart of world unrest knows it too, and is determined that whatever the cost, extending to the complete destruction of civilisation and even of the terrestrial globe, it will not have that solution, which would automatically wrest power from it, as nothing else would. That is the problem of the Sphinx, which man has to solve or die.

—*The Social Crediter*, September 20, 1947.

CONSUMER CONTROL OF PRODUCTION IS THE ONLY POSSIBLE BASIS OF FREEDOM; AND NO METHOD OF OBTAINING CONSUMER CONTROL HAS EVER BEEN TRIED WITH SUCCESS WHICH DID NOT BAN STATE CONTROL, OF MONEY AND CREDIT AND INCLUDE DECENTRALISED INDIVIDUAL CREDIT POWER.

Additions to the Library

- C. *The Phenomenon of Man*, by Pierre Teilhard de Chardin, 1959.
- M. *Orange and the New Age Circle*, by Paul Selver, 1959.
- E. *The Struggle for Money*, by H.M.M., 1957.
- M. *The Lion and the Throne*. The life and times of Edward Coke, 1532-1634, by Catherine D. Bowen, 1957.