

INCOME FROM A NATIONAL DIVIDEND

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1st March, 2018

There is a suggestion that everybody will be able to receive a large part of their income in the future, from a National Dividend. My function today is to examine this proposition.

A great difficulty with economics is that no politician or economist on earth understands any national economy. Please don't think I am just saying this. In the next few minutes I will prove the gross incompetence of all politicians and economists to you, and do so beyond any reasonable doubt.

No Director of a public company fails to consult the Balance Sheet and Profit and Loss Account of his Company. A Board of Directors which failed to produce such accounts would be regarded as criminally negligent, with probably a fraudulent intent.

It is simply impossible to understand the economic health of an entity without these accounts; without measuring its assets and liabilities, and its productivity against its associated costs.

Every large entity on earth does these accounts, except one particular class of organisation which we call "Government". They do some accounts though. For instance, they do a guestimate of what may happen next year. It is called an Annual Budget. Furthermore, they also calculate the total activity which took place in the previous year. Last year's total turnover is called the GDP (the Gross Domestic Product).

What is totally lacking in all Governments' National Accounts everywhere is a sufficient calculation of two things. Firstly, what this activity meant in terms of an increase or decrease in National Assets? And secondly, what income was paid to proper persons (the true and only proper shareholders in their countries) to induce them to produce the goods which make up the GDP?

A deficiency of purchasing power exists in a country, if there is a shortfall of aggregate personal income to enable the people to buy their own production. A National Profit and Loss Account drawn up from the perspective of its proper persons, would show production on the one side, and the total income paid to all proper persons in order to induce them to produce this production, on the other side.

To demonstrate this I will quote the first National Profit and Loss Account ever published for the United States, which is an appendage in Dr Oliver Heydorn's work *Lives of Our Own*. Total aggregate personal income from wages, salaries, dividends, proprietorial businesses, rent, interest and otherwise of all US citizens was \$10.1 trillion in 2014. In the same year, total production which includes both consumer and capital production, the GDP, was \$17.3 trillion, and the total of consumer products which were both produced and sold was \$12.5 trillion.

Here is a seriously profitable economy. In response to being paid \$10.1 trillion to induce them to participate in the productive process, Americans produced \$17.3 trillion worth of product, of which \$12.5 trillion's worth was consumer products. Their profit just in terms of consumables was \$2.4 trillion. This alone amounts to \$7,500 per person and \$30,000 per family of four.

Such is not an anomalous quirk of the US economy. The Canadian Province of Ontario's *Fact Sheet January 2018* shows per capita household income in 2016 as over \$18,700 less than per capita GDP.

Several things should be observed here.

(1) United States statistics are not drawn up for the purpose of doing a National Profit and Loss Account and often had to be adapted to this purpose. Whenever this was required, figures which ***underestimated*** the gap between income and the prices were regularly preferred and chosen.

The final liquidation of all costs only takes place with personal consumption. Corporate consumption is always a transference of costs. The ability of an economy to liquidate its costs cannot be known unless corporate and personal consumption and purchasing power are differentiated.

The original "Profit and Loss" Account as published in *Lives of Our Own* was called a Supply and Demand Account for the good reason that its primary purpose was initially to determine ***the degree to which the US economy could liquidate its costs***. Since all corporate consumption is a transference rather than a liquidation of costs, this was discounted out of the national income, and only proper persons' income was recognised as a medium of final liquidation of cost.

Companies may contribute much in the organisation of bread production, and this by way of supplying machinery, transport and fertilisers etc. It is however only the final consumption of the bread by real persons which ends cost accumulation. It is the difference between aggregate cost accumulation in production, and the final ability of consumers' incomes to liquidate these end costs, which quantifies national profitability.

(2) Another observation which needs to be made is that a profit has to be measured as existing in a quantifiable way, before a dividend can be declared. The converse is also worth noting. Does the fact that the entity known as the United States of America has never issued a dividend, show that it has never in the whole of its existence shown a profit? Certainly not!

(3) The aforementioned underestimated profit of \$7,500 per American in 2014 was distributed. It was not however, paid out to its citizen-shareholders on the basis that they all have one share each in their country. It was distributed wholly to volunteers who agreed to increase their indebtedness to the banks to acquire it. Federal Reserve Economic Data gives the debt increases of *All Sectors; Debt, Securities and Loans* as \$2.28 trillion in 2014; approximately in line with the calculated national profitability of \$2.4 trillion.

In this way banks everywhere assume ownership of society's profitability, distribute it on terms and to whom they wish, dictate the time of its repayment to them, and the rate of interest payable upon it in the interim.

(4) The more profitable an economy is under present national practice, the more debt is needed to distribute it. Furthermore, the only need for increased debt (which is bludgeoning everywhere) arises in this profitability of our production over and above our incomes earned in the process. Our incomes are **insufficient** to buy it, so we must resort to increased debt to keep the production flowing.

(5) Another observation that needs to be made here, is that the existence of this national profitability is not hypothesised on the basis of any theory. It is measured from known and accepted data, albeit that this data is sometimes relatively unsuitable to this specific task. Keynes, Douglas and Say have all offered theoretical explanations as to why a deficiency in consumer purchasing power is (or is not) continuously being generated. Properly constructed National Accounts **measure** this dearth of aggregate incomes to buy the resulting production; they do not configure theory, as to why this is so.

(6) Without proper purpose-calculated National Accounts it is not possible to be precise about the magnitude of the National Dividend available. It is however, demonstrably significant. This much of a Basic Income can, because it emanates from a social profit, be funded without either debt or taxation, or taking anything away from anyone.

The mechanism to accomplish this is envisaged as a National Credit Authority. It would have Court like powers to calculate the actual deficiency of purchasing power. Further, it would be empowered to issue credit against the National Balance Sheet and to distribute it electronically into the bank accounts of every citizen in equal portions, and in aggregate, up to the full measure of the deficiency.

(7) It is here, with the advocacy of debt-free credit that the Banks become especially uncomfortable. This is usually ascribed to their lessened opportunity for profit. It is however, far more threatening than that.

When banks give out loans, they create assets of this amount on their balance sheets. When these loans are spent and the money passes to others, it creates liabilities for the banks in the form of deposits. In this way banks' balance sheets are relatively tidy. Loans equal deposits, and assets equal liabilities. When accumulated profits and reserves are added in, the banks' balance sheets look comfortably OK.

When the National Credit Authority starts creating credit which is deposited into peoples' accounts, this changes. Here are deposits, of say \$X billion, which are liabilities to the banks, but since they were **not** created by the banks themselves, there are no corresponding assets on their balance sheets. They become asset poor to the extent of the NCA's credit issue. This is easily fixed, but care is needed to understand it.

All commercial entities with one exception, this being the banks, account assets held in trust as both liabilities to their depositors, and assets held in trust to meet these liabilities. A man who minds his friend's hat while he goes swimming, is neither richer nor poorer. He has both the liability to his friend of one hat, and an asset of one hat held in trust with which to meet this obligation.

With respect to credit created outside of the banking system and then deposited in the banks, they will be required to account these particular deposits as both liabilities to their depositors, and also as *the means (i.e. the assets) provided by the NCA of meeting these liabilities*. There is no net effect on the balance sheets of the private banks, from the issue of debt-free credit by the NCA. With this understood, the Banks can relax and continue to operate normally.

(8) I do *not* believe that the National Dividend and the Basic Income present an “either/or” option as exclusive alternatives. It may be, especially at some future time when technology has increasingly replaced direct human economic input, that the national dividend of itself will enable a dignified life to be lived. It may also be, that a National Profit and Loss Account might not, as of now, compute a sufficient dividend to enable this, other than in part. A redistributive mechanism through taxation may, at society's discretion, then be an option to augment the dividend.

Increasing debt to fund the redistribution, since the whole of the deficiency of purchasing power has already been calculated and issued by the National Credit Authority, would be inflationary and counter-productive.

(9) The Social Credit proposal is actually that some of the national dividend might be distributed as a consumer price discount on basic items such as bread, milk and electricity etc., this being a counter-inflationary mechanism. While this might be noted and considered as an option for defeating inflation, it is not to be other than passingly mentioned in this paper. This mechanism was used in Australia in the last three years of World War II, i.e. in 1943, 44, and 45 when Government expenditure because of the war effort was unprecedentedly high, and is the only time in our whole history when inflation was nil. It works!

(10) I will not in this presentation speak of the importance of National Balance Sheets to measure assets and liabilities. Their main contribution is in altering the way in which we consider money, and in reorientating our practice of using it. Please consult Dr Heydorn's *Lives of Our Own* to understand this.

(11) Why haven't we heard all about this ages ago? Implicit in this question is that if it were valid thinking, it would already have been adopted and applied. This is to misunderstand the origin of policy. Policy is the outcome of the dominant narrative being sung in any society. Studies of the power of suggestibility show 20% as very vulnerable to it, 20% very resistant, and the other 60% in the middle, variably vulnerable.

The dominant narrative being sung in Russia in the 1920's produced communist sympathies in the majority. Another narrative which dominated in Germany in the 1930's produced a

dominant Nazism. The narrative of the Aztec priesthood in the 1400s produced acceptance of ceremonial human sacrifice. The current dominance of political correctness (whatever its moral rectitude) is also the result of a narrative, and our eternal susceptibility to suggestion.

If we want Basic Income, we shall have to significantly influence the sung narrative in society, as this is the indispensable precursor to any accepted policy. Many will know more than I, about how this might be attained, however an observation or two may help.

In the past the narrative has usually conformed to the interests of money. The owners of the centralised media, its mortgagees, its share and bond holders, the proprietors of its advertisers and such, have owned the media's ears. If these people **prescribe** a pro-BI narrative, public support will be forthcoming and overwhelming, and indeed unstoppable. If they **proscribe** it, then the conundrum is different.

If we want a different policy, we shall have to have a different narrative to that of our house-trained media; and that new narrative is that ***national profitability is provably existent***, and we the people want it in the form of a dividend for all.

(12) Something will have to be done about the inexorable diminution of employment as a means of public employment. The establishment can see this train coming down the hill towards them. Funding employment with ever increasing debt to be recovered by taxation from the diminishing numbers of the employed, is mathematically undoable. To the extent that it is attempted, it will only incentivise the lessening of paid human employment by making it more expensive.

One of the largest drivers of public policy now, is the perceived need for maintaining the highest possible employment levels. Losing your job is a disaster. It is not leisure which is seen as evil, but the absence of personal income, and the need to make financial demands upon others to maintain the unemployed, which is lamented. But the National Dividend is increased by unemployment. Every time the cost of production is reduced by replacing a human employee with a computerised capital machine, the National Profit increases by the amount of the wage cost saved. Unemployment becomes a communal asset which is distributed equally to all as a National Dividend.

The Bankers stand at the crossroads of this human dilemma, and the keenest scrutiny and focus upon their moral judgement will be essential to assisting them forward. It is doubtful whether anything at all will be able to be done about Basic Income in the face of the banks' obstinacy; at least, until some form of descent into revolution; and this is a tree, which it must be observed, does not yield uniform fruit.

And so, in conclusion, what is to be done?

It may pay to consider a strategy for victory with a difference? With some arguable exceptions, military historians hold that battles have mainly been won with "the strategy of the indirect approach". Outflanking movements compel withdrawal. How do we so change the environment for Bankers and Governments so as to oblige them to give way? For myself I

am inclined to believe the old contention that it is “the truth which sets us free”. But how shall we have it?

Economic truths can only be had by measuring them. This is so important that I feel compelled to repeat it; *Economic truths can only be had by measuring them.* If this is accepted as true and applied it will change perceptions immeasurably. That advanced Countries’ economies are invariably highly profitable in terms of their production versus the consumption used up in achieving it, is verifiable, but only in the measuring of it. Once we have a measured profit, we have a profit the existence of which can only be argued against in terms of calibrating that profit.

Total aggregate wages and salaries in the USA in 2014 only amounted to 43% of the GDP according to their Federal Reserve Bank (FRED), and 60% of Personal Consumption Expenditures. This is the elephant in the room, as it were. Once all other sources of personal income are added in, we have the total of all personal income at 58% of GDP and at 80% of personal consumption expenditures. These facts can only be disputed in the specifics of the accounts. Conclusions reached from hypothesised abstractions, have no power in the realm of measured facts.

Perhaps we should consider the first priority in achieving a Basic Income, to be proving the existence of a national profitability by measuring it in national accounts? Once a national profit is measured and in this way proven, nothing will prevent the logical follow-on of the question “to whom should this belong?” We shall have to prove the profit in order to provoke this question. Once understood, no response other than that it belongs to the people (the real shareholders of our economy), will be tenable in any democracy.

The basic income can be achieved in large measure by distributing the national profit as a dividend, rather than only enabling its consumption through increasing our debt each year by the magnitude of that profit. Who would have thought that the bane of modern monopoly capitalism, was to be had through producing some books of account?

These accounts need not necessarily be done by Government agencies; a small body of people with accounting skills can manage them, and then the Government will have to argue the negative case. If we can measure a surplus we can prove its existence. If a profit exists, it is always the property of the shareholders. But who are a Nation’s shareholders? May I suggest, only proper persons who each hold by right, one share and one vote.

In economics the books of account are the narrative. For this reason the books dominate economic policy. Whoever does the Balance Sheet and Profit and Loss Accounts presupposes all the conclusions which logically flow from them. In the corporate world it is a case of “The Accountants rule; OK!” In the political economy of capitalism as we know it, the private Banks’ funding of our profit measured in the National Accounts, provides them with the *one ring which rules them all.*

Do any of you know the whereabouts of a few hobbits with accounting skills?

The final thing I would like to do, is to put all this into an historical perspective. In each age there is a key sanction to which all other powers give obeisance. In times such as the Roman Empire the key sanction was the military one. If you had the support and the affections of the Legions you ruled the World.

With the collapse of Rome communications and transport systems atrophied. Your life depended on wool, foods and building material etc. usually within about ten miles of your home. The Feudal system was built on a key sanction too; the local monopoly of land which was in the hands of the Lord of the Manor.

When the ships sailed the oceans and rivers of Europe again, and roads reopened, wheat, wine, honey and luxury items could cheaply be brought from hundreds of miles away. The local monopoly of land weakened and the mercantile system arose.

The reorganisation of commerce on a grand scale and across national borders required letters of credit, and a bankers' monopoly of credit became ascendant in time. Money became the key directive sanction which predominated into present times. These were "sea changes" which came as the key sanction in society changed.

Another is now on the cusp of a new dominance. A hundred years ago, convincing people that banks created money was met with incredulity. Now all the textbooks and financial pages accept and report this daily. Soon we will all know that our economies are innately profitable, and that this great boon is now appropriated by a system which finances us to have it, but only through debt to a credit monopoly.

This coming key sanction is growing daily; it is already a towering phenomenon at our shoulders. It is the power of public knowledge and awareness in the *Information Age*. The *sanction of information* will be resisted. It will not however, be denied!