A NATIONAL BALANCE SHEET

We may well ask, “What is the importance of a National Balance Sheet?” and “Why is it considered such a necessity by Social Credit advocates?” The answer to these and other questions in the following explanation are considered and we leave the reader to judge for him or herself.

Every business entity is required by legislation to keep a proper set of books of account. That is one reason. Equally important is the fact that by keeping an accurate record of all the business activities engaged in by the business the proprietors and or the shareholders can ascertain whether or not the business is viable, i.e. making a profit or loss and not heading for the Bankruptcy court.

A normal business Balance Sheet is in reality a statement of the Assets and Liabilities, which show the financial position of the business at the date, specified. Also a normal Balance sheet contains information that breaks up the Assets into Current Assets, Fixed Assets and Intangible Assets.

Current Assets usually are those assets that can be realised or turned over quickly or in a short period of time, in the sense that they are either cash in hand or can be converted into cash in that short period of time. In the main these may consist of cash in hand, i.e., in the bank, debtors, other types of paper that can be converted such as financial documents like bills of exchange, short term deposits, stocks on hand of goods or raw materials, manufactured work in progress.

Fixed Assets consist of property land, buildings, plant and machinery, motor vehicles and can be regarded as those items that are necessary for the business to produce its trading income.

Intangible Assets are those that have no material existence. They have no real value in themselves and include such things as goodwill, patents, trademarks, and licence rights. Although they may have no real value in themselves, they do have a complex value in that they may be worth more or less than the amount shown on the Balance Sheet depending upon, for example, the profitability of the business.

On the other side of the Balance Sheet are classified what is known as Liabilities. These, like the assets, are classified according to whether they are, Current, Deferred, or Capital, or Retained Earnings (undistributed profit).

Current Liabilities contain all those items that must be met within a short period of time. These would normally include payments to creditors for purchases and other expenses incurred in running the business such as telephone, electricity, and payments for tax, the bank overdraft, and bills payable.

Deferred Liabilities include those liabilities that do not have to be paid in the immediate future. Items classified under this heading are mortgages, debentures, and long-term loans.

Capital is the money originally contributed by the proprietors or shareholders in establishing the business. This changes according to whether or not the business is profitable. If profits are made and they are not distributed to the proprietors (in a private business) or shareholders in a public company they become retained profits and may be added to the Capital, or just shown as Retained Earnings. If the business is not profitable the Capital Account can be a negative figure because losses are transferred to the Capital

Account also. Alternatively the Capital Account will remain as per the paid up Capital figure and the Losses shown separately.

This preliminary and brief introduction to a Balance Sheet is sufficient explanation for our purposes. To obtain an accurate view of the financial position of the business it is vital that any interested person must be able to read and understand the time worn areas to investigate. These are (a) Liabilities to creditors that indicate whether or not the business can meet its obligations and pay its way. (b) Working Capital that is simply the difference between Current Assets and current Liabilities. This difference indicates whether or not the business has the available funds to enable it to continue its daily activities. (c) Fixed Capital which as already explained includes those factors acquired for the purpose of earning income. By comparing the Capital and Fixed Assets it is possible to determine if the proprietors or shareholders adequately financed the business or whether outside creditors have financed the whole of the investment in current assets but have also provided some funds that are locked up in Fixed and Intangible Assets.

Construction of a Balance Sheet

A Balance Sheet is not an account but a summary of ledger balances at the end of a financial period and is constructed in such a way that reflects the double entry system of bookkeeping, i.e., debits and credit balances of ledger accounts. For every debit there must be a corresponding credit and the Assets how the debit balances whilst the Liabilities show the credit balances.

There are two ways by which a balance sheet may be adjusted or compiled. The first is by a direct debit to an asset item and a corresponding credit to an asset item. For instance a purchase of plant and equipment would have a debit to plant and equipment and a credit to the bank account item. Other adjustments can be made at the end of a balance period but these need not concern us here.

The other way is by the transferring of the result of the Profit and Loss after all Trading and Overhead Expenses have been completed. All of these particular accounts are cleared at the end of the financial year period and the result is transferred to the Balance Sheet to Retained Earnings or Accumulated Losses depending upon the result being a profit or loss.

It is necessary to understand this brief and incomplete explanation only for the purpose of recognizing how a Balance Sheet may be affected by the accounting system adopted.

There is one item usually appearing on a Balance sheet that has not been mentioned because it does have special significance for Social Credit accounting. This is Depreciation that is applied to tools, plant and equipment to reflect a realistic value of those items. On the other hand, as many companies have found to their regret or at least to the shareholders, appreciation of assets can be also very significant. A company that has property in the form of land and/or buildings and has not adjusted these values in their accounts may, and have found that their share value is underestimated and therefore are a target for a takeover. The result has been that they are taken over and then the company is closed down and the property assets are sold off for a value much higher than that shown on their balance sheet.

We can summarise at this point and say that a Balance Sheet is a summary of ledger balances at the end of a financial period and should be a true and accurate position of the worth of the entity at that point. It is affected by adjustments within the balance sheet items themselves or by the results of the trading within the specified period.

A Realistic Approach to a Balance Sheet

The first thing requiring understanding is that all recording in accounts and thus reflected on the balance sheet is done by the use of symbols. In Australia it is the $, in the U.S it is the $, even though these $s are not the same thing. In the U.K. it is the £, in Japan it is the ¥ and for different nations different symbols with differing values to all others.

The symbol $ is the symbol for signifying an amount in money terms. Thus $2 means two dollars, or more correctly in Australia $AUS2 or the U.S. $US2 which are not the same thing. It is important to remember that these are symbols and intangible, and represent a monetary value of something physical and real in the sense that it is tangible and exists in the real world.

In studying a Balance Sheet from this perspective it can be readily seen that the Balance Sheet is comprised of intangible and intangible things. Remembering that a Balance Sheet is the result of double entry bookkeeping system it is necessary that the Assets and Liabilities be in balance.

If we apply this principle to all existing balance sheets throughout the world it is obvious that all debits must equal all credits. Taking this one step further and which is significant for the purposes of explaining a National Balance Sheet, if all money balances, i.e., debtors and creditors including loans, mortgages and any other claim to money, such as Bills of Exchange, etc. were settled, the only things that would remain on Balance Sheets would be tangible items. These would include things such as property, buildings, furniture and fittings, plant and equipment, motor vehicles, and stock of finished goods or work in progress or raw materials.

All of these items are classified as Assets on the Balance Sheet but there would be no Liabilities. If one wished to show a Creditor it would have to be God, or Nature, or a Natural Resources Account.

A realistic appraisal of a Balance Sheet must recognise that the Balance Sheet provides information which is historic in the sense that it records a position at a point in time after events have occurred and that all activity has been recorded by the use of symbols. These symbols, e.g., the $, make the task of recording much easier than using other methods that would be required under a barter system. However, the problem that has arisen is that the symbol has come to be regarded as a physical commodity itself, which is completely false and has allowed the reality to be clouded by a delusion. This does not mean that the symbol should not be used, just that it should be correctly regarded as a representation of the real thing and of no value in itself.

It is not, and should not be regarded as a commodity with a price value.

Introduction to a National Balance Sheet

Under current government financial accounting there are two aspects. First, all government expenditures and receipts are subject to appropriation through the Budget, which is set by the government each year. Second, the activity within the economy is recorded, not in accordance with current accounting principles but based on economic principles that do not reflect the correct financial situation. The figures that are compiled are recorded in a National Income and Expenditure Statement that by definition as set down by economists must be in balance. Briefly this is based on an assumption that in any given financial period the money paid out in disbursements to people i.e. the national income is equal to the national expenditure in the same period and therefore is equal to and provides a figure valued at factor cost that is referred to as the national output. This national output is regarded as the creation of wealth by the nation's industry.

We need not concern ourselves with the fallacies contained in the simplistic approach in the above except to point out that if there is any use at all for the compilation of such figures it would be for the purpose of obtaining information on trends that may occur. These trends may offer assistance in obtaining statistical information on changes that may be occurring within the economy. However the information does not reflect the true state of the economy.

The contention that is being presented here is that the nation should be regarded as being similar to a large company and the accounting conducted on similar lines but not the same principles. A starting point would be to regard the nation, e.g., Australia as Australia Ltd. or Great Britain as Great Britain Ltd.

A number of fundamental basics for the compilation of a National Balance Sheet would include:

- An inventory of all national resources including people.
- A change in the method of the original creation and distribution of money (credit which when used becomes money).
- The establishment of a Statutory Financial Authority with specific functions.
- The setting up of special national accounts.
- An alteration in the government budget process.
- A realistic assessment of the real situation in the economic process with regard to Production, Consumption, including Exports and Imports, and Appreciation and Depreciation.
- A recognition and acceptance of the principle that all citizens are shareholders in the Nation and should receive the benefits of their association, and their cultural inheritance.

In detailing the particular aspects of the above grouping it will be seen that a change in certain philosophies will be necessary. It is no small assertion to state that it is precisely certain philosophies that have been and are a hindrance to the attainment of a change in national financial accounting principles for the betterment of the people in the world.

Balance Sheet

If all financial recorded figures were removed or cancelled out on Balance sheets, under the double entry bookkeeping system, the only remaining items would be physical tangible assets. These items would be classified as Land, Buildings, Machinery and Tools, i.e. Plant and Equipment including all vehicles and earthmoving equipment and even things such as oilrigs.

Other items would include stock on hand or an inventory of all finished goods, work in progress, i.e. , semi-manufactures and produce and raw materials.

It should be understood that all production is the result of conversion of natural resources into another form and this conversion of matter from its natural state into another is attained by the use of energy. Energy can be from a natural source such as solar energy in the form of coal, oil, the sun, wind and water. It can also be from mechanical, electric or human energy. As mechanical and electrical energy are originally based on the use of natural resources converted by the use of human energy.

There are then two sources of energy, natural resources and human energy and even human energy can only exist supplied by natural resources.

This brings us to the point in normal double entry bookkeeping as to the other side of the Balance Sheet where the Assets are recorded, i.e., Liabilities. If Assets are recorded what is the counter entry in Liabilities? Who or what is the Creditor or from whence came the assets. God—Natural Resources? It seems clear that there should be a Capital and Equity Account that is credited with the estimated value of the resources of the nation including human capital. This would reflect the equity of all individuals as shareholders in the nation. It would show the ability of the nation as a going concern as in any business to produce both Capital and Consumer goods as, when and where required.

On the Assets side there would be a corresponding entry by a debit to a National Credit Account. This action is no different to the situation when a new business is commenced. The Bank Account is debited with a deposit of money received from shareholders and is shown as an Asset, whilst the corresponding entry has been credited to the Capital Account recognising the shareholders as the holders of the equity as a Liability by providing the business with the necessary funds.

From a Social Credit perspective the Law of Cost means that the Cost of Production is Consumption. The real physical cost in a nation, of all its production is the total consumption that occurs in the nation for a given period. With the reality that the physical Cost of Production is Consumption, this fundamental Law of cost means that all production is paid for in full on consumption. This Law of Cost is consistent with the fact that there is no debt in nature. Either the resource exists or it does not. The farmer cannot water his crops on next month's or next year's rain. A motor vehicle cannot run on petrol from oil that has not been discovered.

This physical fact should be reflected in the accounts in a National Credit Account, which would be in two segments, a Consumption Goods and Services Account and a Capital goods Account. From a National Accounting system that produces a National Balance Sheet and has a National Credit Account and a National Resources Account that these are not Accounts in the same manner as accounts in a business. They would be the result of a compilation of figures, which purport to reflect "flows" or changes in the economy.

For purposes of illustration we may start with a very simple example of what has been stated to this point:

Australian Commonwealth
Balance Sheet
As At 30 June 200..

Assets	**Liabilities**
	Capital—Shareholders Equity
National Resources and Capital	
Natural Resources	
Physical Resources	

National Credit Account

Consumption Goods

Dr.	Cr
Exports	Production
Consumption	Imports

Capital Goods

Dr.	Cr.
Exports	Imports
Deaths	Public Property
Emigration	Immigration
	Births

The above illustration is a simple attempt to highlight the differences between a business Balance Sheet and one compiled for a nation. A few explanations on items included will be clarified but it is necessary to indicate that this idea is not new. The use of National Credit for the benefit of the nation was recognised in the South Australian Parliament August 23, 1939 when a motion was carried by 17 votes to 13 in the affirmative:

"That, in the opinion of this House, the National Credit of the Commonwealth should be used in the interest of defense, the primary industries and the general welfare of the people of Australia".

On September 19th, 1939, the Governor informed the House that the Resolution as stated Above was transmitted as Message No 9 to His Excellency the Governor-General.

Quite obviously this would have no effect on the Commonwealth as having originated in a States House but it does show that the idea of utilising the National Credit for the benefit of all its citizens is not new. There have been other attempts to design a National Balance Sheet both in Australia and the United Kingdom but these have been based upon establishing criterion for explaining economic decisions by government and the results that have occurred from those decisions. Since 1989 the Australian Bureau of Statistics has been experimenting with developing a National Balance Sheet which contained statistics recommended in the 1968 version of the United Nations System of National Accounts. In 1977, the United Nations published a proposal for countries to prepare national and sector balance sheets.

The suggestions offered here differ markedly from those other proposals because it is based on a philosophical base that encompasses the belief that *"The essential mechanism of genuine democracy is decentralised control of the real credit of the community"*.[1]

National Balance Sheet

Natural Resources:

What should be recorded on a National Balance Sheet are the real physical non-financial assets that represent the real credit of the nation. Some of the items that would appear under this heading would include:

Fixed Assets:

These would be of two types, those that occur naturally and can be referred to as non-produced and those that are the result human energy production.

> **Non-Produced Assets**
>
> Crown land including national parks and reserves, forests both natural and government re-forestation plantations for commercial use, water resources and sub-soil assets such as mineral, oil and gas deposits that can be exploited commercially for the benefit of society.
>
> **Physical Assets**
>
> An understanding of what should be included under this heading is that the ability to produce is obtained from the use of labour or human energy plus the use of inventions down through generations. Thus there should be recorded a Valuation of Australian Citizens.

Valuation of Australian Citizens

Whilst this may create some criticism it must be recognised that the individual is the most important part of society. As such there should be a valuation for the purpose of recording on a National Balance Sheet total productivity taken over the total population on a per head basis.

Produced Assets

Include Government buildings both residential and non-residential, all machinery plant and equipment.

National Credit Account

Consumption Goods

Exports

All exports of consumer goods in a given period represent a physical loss to the nation in that a real physical item leaves the nation and should be recorded as a loss by a debit to the National Credit Account as Consumption Goods.

Consumption

Under the Law of Cost, consumption is the cost of production. As production encompasses both Consumer Goods and Capital Goods part of Consumption relates to Consumer Goods and the other part relates to Capital Goods. For the purpose of simplicity at this stage the value of consumption should be debited to this particular account.

Production (Consumer Goods)

As natural resources are utilised in the production of Consumer Goods this should be reflected by a credit to the National Credit Account to record the increase in Consumer Goods. The amount by which the entry would be affected would be the total of wages, salaries and dividends paid out in the given period of production. Writing down the national assets would offset this credit grant by an equivalent amount. The consumption incurred in production is a cost; it is a diminution of real credit, and should be so accounted.

Imports

As all consumer goods imports are an addition to goods produced in the nation they should be accounted for as a gain and credited to the National Credit Account.

National Credit Account

Capital Goods

Exports

All exports of capital goods represent a physical loss to the nation and should be recorded as a Debit to the National Credit Account and credited to the relevant asset account to reflect the loss.

Imports

All capital goods imported are an addition to those produced domestically and are an addition to the physical resources and should be credited to the National Credit Account.

Births and Deaths

An adjustment should be made to the Valuation of Citizens according to the addition and loss under this heading.

Emigration and Immigration

The same principle applies here with respect to the loss and addition to the available physical assets.

Financial considerations

It will be observed that there is no provision for financial assets or liabilities such as Loans, Borrowings, Shares, Treasury Certificates, Investments either domestic or overseas or any other type of financial paper. Also there is no provision for foreign exchange holdings or liabilities. The National Balance Sheet is a statement or a summary of balances of accounts at the end of a particular period and reflects the position within the domestic economy. The only financial record that should appear is the financial figure that represents the value of legal tender to balance the net values of assets and liabilities on the balance sheet. Obviously the values of the assets and liabilities would be expressed in terms of Australian currency.

The question of financial arrangements with nations outside Australia that represent any transactions that have occurred and require a recording of the trading in real physical goods is a separate matter and is dealt with elsewhere. Under the operation of a correct set of National Accounts there would be no need for such things as Capital Inflow, attracting overseas investment, or borrowing from other countries. Gold would be treated as a commodity only and its value would be determined by commercial market operations on its commercial properties usefulness.

The National Debt as it applies to the Commonwealth Government would not appear on the National Balance Sheet. This matter is beyond the scope of this proposal and will be dealt with in association with the question of imports, exports and foreign exchange.

Many other proposals for the construction of a National Balance Sheet include items that relate to the private sector. Some of these include things such as Trade Debtors, insurance policies, pension funds, bank deposits, Treasury bills, commercial bills, hire purchase figures, installment credit, house mortgages and many other types of financial assets and liabilities. These have no place in a Balance Sheet based upon real physical entities.

In constructing a National Balance Sheet as proposed here it is recognised that many questions will arise as to what should or should not be included. Whether it is on possible mineral or oil reserves, or land that may be regarded as wasteland it is of no importance at this stage as this proposal is in the early stages of development. The important principle to keep in mind is that it is based upon real physical matter, developed, underdeveloped, or potential as being available for the benefit and well-being of the citizens of the nation, and upon which its reflection is mirrored in the available legal currency to utilise it. This principle can be substantiated by a study of a Profit and Loss account of any business, which reveals that a portion of the profit is always at any moment represented by what are in fact physical assets. The remainder is represented by purchasing power.

THE FINANCIAL AUTHORITY

A National Credit Authority would not determine policy but be responsible for producing a proper and correct set of accounts on which policy could be based. A Balance Sheet produced by the Authority would be the absolute determinant of financial policy rather than allow politicians to determine policy on their own, quite often, mistaken judgements.

The Commonwealth of Australia Constitution Act (Chapter 1. Part V. Section 51) gives full power to the Federal and States Government to control the source and creation of currency, coinage and the issue of paper money as legal tender. A vital constitutional aspect to be observed is that in respect of the whole question of money, the Commonwealth has no exclusive power, but power in conjunction with the states. It has powers with respect to all banks except State Banks.

NATIONAL RESOURCES AND NATIONAL CREDIT ACCOUNTS

Two major accounts that could be kept by the Authority would be a **National Resources, Capital and Wealth Account.** This would show the resources and ability of Australia as a going concern to produce wealth and capital when, as, and where desired. The second account should be a **National Credit Account** indicating the extent to which those resources were being drawn upon, and the extent of the liabilities and debts outstanding against the assets of the community.

The Resources Account would be credited initially with the estimated value of the resources of the nation, and periodically, with the value of all current production, appreciation and imports, and debited with all consumption, depreciation, obsolescence and exports during the same period of time.

The Credit Account would show the extent to which the banks had issued liabilities against the resources and the value of all credit instruments and Government Bonds, etc.

A NATIONAL BALANCE SHEET

A National Balance Sheet would differ from an ordinary balance sheet in two ways. Firstly, apart from foreign moneys held overseas, no money would appear as an asset and secondly the assets and liabilities would not balance, because the resources, accumulated capital and wealth of the community would far exceed the total of all liabilities. This difference is the accumulated resources of society, and the embodiment of the Cultural Inheritance, which give value to all credit by whomsoever created and issued.

At present, this Cultural Inheritance cannot be used by the Community who are its rightful beneficiaries because it is not monetised. As soon as we have a balance sheet however, it will be seen that this surplus of assets over liabilities can be monetised and distributed to the community in whatever way deemed desirable so that consumption may keep pace with production, and so enable a continuous expansion of production. This surplus is the physical source from which the community pays its Social Services. With a national accounting it would be evident that such services need no longer be paid for by taxation.

For the first time Australia would become a Co-operative Commonwealth which would distribute a dividend to all its citizens instead of resembling a tin mine which, instead of distributing dividends, makes calls on its shareholders.

LOANS TO GOVERNMENT AUTHORITIES

The purpose of the following illustrations of the ways in which the National Credit Authority may finance the nation is to make explicit the principles of action, not to design a programme. The ways in which loans may be made to Government Instrumentalities simply suggest the application of the principles of true costing and pricing and the rate at which credit should be recalled.

It is assumed that the National Credit Authority will finance the works programmes of the governments. It should be emphasised that the Community and their Political Representatives must have a much greater control over the Governments, the Civil Services, and the Financial Authorities. To give the Governments absolute control over credit policy instead of making a Balance Sheet the determinant of financial and national policy, is to head straight for an Authoritarian State.

To commence, it may be wise to make works programmes to some degree, dependent upon public subscriptions to government loans.

Assuming that a Government project such as the Snowy River Scheme has been financed by a loan from the Commonwealth Reserve Bank, what sort of book-keeping system will be necessary? As a loan by the Reserve Bank is simply a loan by the people to themselves we may safely assume that the loan will be interest-free and no costs will be included for that purpose. But what about depreciation charges? Shall or shall not these be included in costs and prices?

This is best answered by remembering that financial technique should be a reflection of physical reality, and that the true law of price is a reflection of physical fact. The first fact to be considered is that irrespective of how the scheme is financed, and irrespective of the bookkeeping system employed, from a physical viewpoint the scheme was paid for day by day and week by week as it was being constructed.

The second important fact is that the construction of such a scheme involves a great consumption of material, energy and man power, and the proportion of consumption to production is, for the time being, greater than had the scheme not been undertaken.

The National Resources, Capital and Wealth Account would therefore have been debited with the extent of this consumption, and if prices were based on the natural law of costs, prices would rise during construction.

On completion, however, the Resources, Capital and Wealth Account would be credited with the cost of the scheme plus the appreciation of wealth resulting therefrom, and as the scheme had been paid for both physically and financially, the debt owing by the Authority would be wiped out.

As the scheme was financed by the Reserve Bank, the depreciation problem would be treated in a similar way. The Resources Capital and Wealth Account would be debited with the depreciation charges, and prices would rise accordingly, but if the depreciation were immediately made good, and the scheme brought up to its original worth, that account would be credited with the same amount and no charges need be made.

If the scheme were financed by public loans, charges would have to be made for interest and repayment of capital. But as the Resources Capital and Wealth Account would be credited with the cost of the scheme no matter how its construction be financed, such charges could be met by the National Credit Authority rebating the investors for interest and capital direct, instead of including these costs in prices.

If the scheme were financed by bank loans, which were recalled before the scheme were completed, the accounting would be similar to that as follows.

THE BANKS AND THE NATIONAL CREDIT AUTHORITY

A somewhat similar procedure would be applied in regard to the trading banks. The Reserve Bank would open Loan Accounts for each bank, and these accounts would be in debit to the extent of the banks' loans to their clients. As loans were repaid, the accounts would be credited with the amount paid by the banks to the Reserve Banks.

As the banks pursue a short loan policy, and loans are repaid before the capital and wealth they have helped to produce appears on the market, it will be necessary to open a **National Credit Account**, which will indicate the **rate** at which credit is issued and recalled. This rate will not agree with that at which physical wealth and capital are produced and consumed, as revealed in the **National Resources, Capital and Wealth Account**.

In conjunction, these accounts would indicate the **ratio at which credit must be recreated in order to make good the deficiency of money caused by the premature recall of money**. This premature recall of credit occurs in many ways, of which only one has been mentioned.

PREMATURE RECALL OF CREDIT

There is no reason why the banks should alter their short term policy **provided the Treasurer credits the National Resources, Capital and Wealth Account** with the value of the capital and wealth when it is completed, and thus has an asset against which he can issue credit to producers or consumers to make up the shortage caused by the premature recall of credit.

When the factory begins production, its depreciation charges can be recouped by the manufacturer from the National Credit Authority, which would draw on the National Credit Account, **provided the manufacturer eliminated the depreciation charges from his prices**.

This recoup could, however, be paid directly to the consumer as a National Dividend.

Unless these depreciation charges are recouped to the producer in either the above, or a combination of the above ways, there will be difficulty in selling production, **and the total production could never be sold because some of the credit has been prematurely withdrawn from circulation**.

A system of national accounting is necessary if the community is to have available sufficient money to buy all the goods and services which farms and factories can produce, at prices which will allow producers to function profitably.

Other advantages would follow. Our present system of taxation would eventually give way to a National Dividend by which the profits of Australia as a going concern would be distributed.

The greatest blessing, however, would be that the present Debt System, in which the community can develop industrially, socially and culturally, only by getting deeper and deeper into debt, would be transformed into a Credit System in which the resources of Australia could be monetised and used for the benefit of all citizens. Under such a Credit System, the individual would be established in his personal sovereignty and freedom, and co-operation would replace compulsion as a means of securing participation in enterprises and projects.

Several aspects of national accounting have not been treated because of lack of space, but anyone who has grasped the principles enunciated above, will be able to apply them to any aspect of the subject.

Correction of Accounting System

There would be few informed people who would seriously question the fact that there is and has been for some considerable time, serious defects in the financial system. This fact can be evidenced through the unpurchaseable surplus production (quite separate from the notion of built in obsolescence), poverty expressed in lack of purchasing power accompanied by economic need, the "problem" of unemployment with its corollary of unempayment, the number of people in receipt of government benefits, the growing disparity between the haves and the have-nots, cut-throat competition, increasing personal, government and national debt, mounting pressures for countries to open their markets to increased competitive exports, and the immoral utilization of cheap labour to support these endeavours.

Increasing speculative ventures in the financial markets around the world in buying and selling currencies none of which add to the productive process for the benefit of the people in general. Whilst all economic production is measured in terms of finance, science is reducing the energy requirement in the productive process. This is accompanied by a system that continues to maintain the importance of a scarcity of finance, which is or should be simply a claim upon the articles that are produced and potentially could be produced in abundance.

Economic democracy as a reflection of economic security can never be achieved until the defect in the financial system, which virtually controls the economic system, is rectified. The observation of the facts when presented in terms that can be readily tested can elicit only one answer to the question—who is benefitting? Take one example of the way in which unemployment is regarded. Now, we are talking about unemployment and not money or anything else. In a physical sense, whether it is human, mechanical, electrical, solar energy, the word "employ" means, "to use something, or a person, to be occupied, or to use one's power". In other words it requires the use of energy, in some form.

Economic production is simply the application of energy to available raw materials. If a means is attained whereby energy can be saved there is a physical saving and that in turn should be regarded as an asset, yet in conventional terms to be unemployed is regarded as a liability.

"...Economic production is simply a conversion of one thing into another, and is primarily a matter of energy. It seems highly probably that both energy and production are only limited by our knowledge of how to apply them."[2]

If a housewife obtains a washing machine, a vacuum cleaner, a dishwasher or some other appliance that can relieve her of the necessity to expend energy on a particular chore, it allows her more time to do those things that she would prefer to do rather than things she is obliged to do. The same analogy can be applied to industry in the use of increased technology and the use of human energy in the form of labour or "Employment". Why then is this not regarded as an asset?

This could be expanded to an article in itself, but any accountant would recognise that an industry that saved energy, no matter what form, would save money because money is the measure used to calculate the cost of the use of energy. The reduction of human energy employed in an undertaken must be translated into increased profits (all other things being equal) and this is reflected in an increase in the financial position on the Balance Sheet. The Balance Sheet would then reflect this as an increase in Assets or a reduction in Liabilities depending upon whether the undertaking operated on a credit bank balance or an overdraft.

The answer to the question of why people do not have economic democracy lies in the acceptance or rejection of an outdated philosophy, against the physical facts contained in a pursued policy. On the one hand we are offered an increase in an asset for the benefit of people in society, and on the other a denial of the benefits that should ensue to the people in their association. The very policy that results from the defect in the financial system that affects the distribution of the results of observable phenomena in the form of associations, by denying those
benefits, is a matter of control.

[1] *An Introduction to Social Credit*, Dr. Bryan W. Monahan, p. 86.

[2] *Social Credit Principles*, C.H. Douglas, An address delivered at Swanwick, November, 1924.

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