

FINANCIAL IGNORANCE:

**THE
'ACHILLES HEEL'
OF THE
CONSERVATIVE
MOVEMENT**

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**An Institute of Economic Democracy
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INTRODUCTION

This article was first published in *The Canadian Intelligence Service** in October of 1968. It has been reproduced at this time because it may well be that desperate people now need its message more than at any previous time.

The author, Eric D. Butler, is the well-known Australian lecturer and writer on international affairs, politics, economics and history. He has spent much of his life directing the attention of "conservatives" to a weakness in their movement — a failure to understand the realities of finance, and how their ignorance in this field is continuously, and effectively, used to ham-string them.

Mr. Butler claims that no conservative movement can halt the growth of the Welfare State, Socialism or Communism, until it promotes a change in the basis of credit creation and its control. He warns that centralized credit control is a powerful instrument being used to create a programme of economic and political centralism, leading ultimately to the World State, or to the collapse of civilization.

The result of failing to observe such warnings has been that the true conservative has largely been drawn into the dialectical left/right debates designed to obscure the root cause of the present political and economic discontent. Verbal champions of freedom have often persuaded him to offer his allegiance to alleged "conservative" or "Right-wing" political parties, who, while continuing to further the causes of revolution, publicly maintained the pretence of "anti-Socialism." This has produced, as intended by those in charge, the required degeneration in the social morale and credit issuing in the sort of irrational and furious discontent which can be channelled into revolutionary violence. But the famous British historian, Sir Arthur Bryant, in his preface to his excellent *Spirit of Conservatism*, maintains that "With the malice which the rage of party stirs up in little minds, the true Conservatism has no part."

In his preface to Sir Arthur's book, Colonel John Buchan describes the true Conservatism: "It is not an abstract dogma, for it is always close to facts. It is based upon certain fundamental principles, but inside these principles it cultivates a wise opportunism. Above all things, it is a spirit, and the fruits of that spirit are continuity and unity."

There is still in Canada and the U.S.A. and other nations of the West, a tough core of common sense and mutual faith which may yet save these nations from the worst extremes of a Socialist tyranny. But, like a rudderless ship, the true conservative movement is powerless to make a constructive contribution towards reversing current trends toward the Socialist State without grasping the realities of finance. This booklet makes that challenge.

—PUBLISHER

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The domination of international affairs by Communism since the end of the Second World War, and the results of Socialist and Welfare State programmes in most non-Communist nations, have produced a reaction in the form of groups, movements and journals advocating conservatism as the only basis upon which is a genuinely free and progressive society, with security for the individual can be developed. This conservative movement is strongest in the United States, where it finds a variety of expressions ranging from movements like the controversial John Birch Society to what is regarded even by its critics as the "respectable" *National Review*, edited by the entertaining William F. Buckley, Jr.

In spite of controversy between individuals and groups inside this conservative movement, and the presence of a genuine "lunatic fringe," there is no doubt that this movement has had a tremendous impact inside the U.S.A. while also making a stimulating contribution to conservative movements throughout the rest of the English-speaking world.

One of its most valuable contributions has been to make available a wide variety of excellent books at prices which make a large circulation possible. Classics by great conservatives of the past, men like Edmund Burke, have been republished. A number of well-produced journals offer valuable information and comment on a wide variety of subjects of interest to conservatives.

No-one has appreciated, and enjoyed all this development more than I have. I have no patience with those who cannot see that any efforts which help to hold up the Communist advance, so far from being merely "negative" do provide a chance against a certainty. They make it possible to preserve a base of sufficient freedom from which the Communist threat can be fought. But while I agree that where the enemy is at the gates it is no time for protracted debate on how to reconstruct the city being defended, it is a matter of life and death to make certain that no support is given in any way to enemy tactics by failure to do what is necessary for adequate protection. No Achilles heel must be left exposed.

The Achilles heel of the conservative movement everywhere is its failure to grasp the financial and economic realities of the modern industrial age. Conservative principles of limited, decentralized constitutional government; free, competitive enterprise, with expanding freedom for the individual; must continue to be eroded so long as there is no realistic challenge to the basic causes which make increasing centralization of power in all spheres inevitable. It is a failure to deal with these basic causes which makes defence against the most deadly Communist tactic — economic warfare — impossible. I have read extensively, and with much benefit, from American conservative journals, including those dealing with "Christian economics," but I have yet to read one article indicating a clear grasp of how the finance-economic system actually works. I have read many excellent articles on the importance of the consumer control of production through the "money vote," but no examination of where or how these "money votes" originate, and whether modern industry automatically distributes sufficient to meet the total prices of the goods produced by industry. I have studied articles on the astronomical private and public debt structure, but those conservatives deploring this, and rightly so, appear to be ignorant of the fact that without an alternative to a progressive expansion of the community's money supply through progressive debt, the American economy, like every other modern economy, would collapse in complete chaos. No alternatives for

expanding purchasing power without debt are offered.

It is true that some conservatives make references in general terms to the necessity of Congress exercising its "constitutional right to control currency and credit," with attacks on the Federal Reserve system, while some of the more informed, like Gary Allen in the John Birch monthly *American Opinion*, of May, 1968, name the figures associated with the international financial firm of Kuhn, Loeb and Company, and stress the nexus between these international financiers and International Communism. But there is no analysis of the mechanics of credit creation and issue through the banking system, and the enormous power exerted over a nation's credit — its productive capacity — by those creating financial credit against this real credit.

Inflation is correctly described as an immoral and socially destructive development; but generally by specific reference or by inference, it is stated that inflation is caused by "excessive wage demands." As with most increased taxation, increased wages must be charged into costs by industry and reflected in higher prices to the consumer, but the basic cause of inflation is the prevailing concept of expanding financial credit. Generally speaking, demands for wage increases are an attempt to sustain the eroded purchasing power of the dollar.

Because Socialist economists are familiar with the mechanics of credit creation and issue, they are in a strong position to use the credit system to produce increasing friction through inflation, which they can then exploit. Until their conservative opponents make themselves familiar with this subject, they will always be on the defensive, with many of them making statements which, without being offensive, can only be termed dangerous nonsense.

I find it embarrassing to read of conservatives attempting to argue that the expansion of financial credit in a modern, rapidly expanding industrial society, should be related in any way to the rate at which a comparatively rare metal, gold, can be mined. Does anyone really believe that if the U.S.A. suddenly lost all its gold, that the American people would be unable to make use of their vast natural resources, operate their advanced technology, and provide themselves with the consumer goods they desire? The question has only to be asked to see how silly it is.

But someone will immediately raise the question of international trade and the "favourable balance of trade." In a report issued on May 29, 1942, the London Chamber of Commerce observed that "It is an obvious absurdity that nations should regard it as necessary to export their real wealth, not for the purpose of paying for imports, but in order to solve their domestic unemployment problem by passing it on to other countries. Exports with this end in view are nothing more nor less than an excuse for distributing wages to people who otherwise would be unemployed." The Chamber submitted that "international trade must now be raised to its true function: that is, nothing more nor less than an exchange of goods and services of a mutually advantageous character."

This was realism from a group of the world's most experienced businessmen, who also observed that the manipulation of exchange rates stems basically from the drive to obtain a "favourable balance of trade." It is elementary that not all nations can have a "favourable balance of trade"; if some have this "favourable balance," then others must have an unfavourable balance. The

Communist Empire is not over-interested in the fact that it has an unfavourable balance of trade with the Western Nations. Long-term financial credits extended to the Communist Empire simply mean that the production system of Western nations is put to work to provide urgently required production for the Communists. The credits are, of course, distributed in the nations producing and exporting the production, and help to maintain domestic purchasing power. From a realistic point of view the Communists gain and the exporting nations lose. Exactly the same process takes place with "foreign aid" programmes and the financing of under-developed nations.

It is to the credit of many American conservatives that they are opposing exports to their deadly enemy, the Soviet Union, and "foreign aid" and various types of loans (most of which will never be repaid) to countries which either waste the assistance, or use it to implement Socialist dictatorships. But under present financial policies, there is tremendous resistance to stopping foreign loans, and other forms of "foreign aid," because in the absence of a constructive alternative, large numbers who obtain financial returns through these activities are going to suffer. Like Canadian and Australian wheat growers, who in recent years have been exporting much of their production to Red China, American wheat growers whose wheat has been exported to the Soviet Union are not Communists. But so long as they receive purchasing power from this exporting, and are provided with no real alternatives for achieving a financial income, they are going to rationalize the truth that they are working for the Communists. They are ready victims for the subtle propaganda line that "trade leads to better understanding."

The primary cause of striving for a "favourable balance of trade" is a chronic deficiency in the flow of purchasing power, becoming progressively more acute in industrial nations as they move further along the road of semi-automatic production, using solar energy. Most conservative criticism of the Fabian Socialists and the financial and economic policies of the Fabian Socialist Keynes, ignores the fact that because Keynes and his followers grasped the flaw in the finance — distributive mechanism in the "capitalist" system — they have been able to exploit this successfully to advance their own policies.

Reviewing William Buckley's book, *The Jeweller's Eye*, in the *Toronto Telegram* of August 3, 1968, Socialist Earl Berger makes the following pertinent comment: "He (Buckley) is distressed about the growth of the welfare state but does not examine the failings of the free enterprise system which make the growth of a socialist support system necessary." Until the conservatives can answer this type of comment realistically, they are always going to be on the defensive. The drive for export markets, "foreign aid" programmes, including long-term credits, increased domestic spending by governments on capital works, Welfare State schemes, instalment buying of consumer goods, are all simply methods used to overcome the deficiency of purchasing power.

Influenced by the writing on "Imperialism" by the early Fabian Socialist, J.A. Hobson, Lenin grasped the implications of the "Capitalist" nations attempting to make their domestic economies work through a "favourable balance of trade." He predicted that the "deaf mutes" would "fling wide open their doors, through which the emissaries of the Comintern and Party Intelligence agencies will quickly infiltrate into these countries disguised as our diplomatic cultural, and trade representatives...Capitalists the world over and their governments will, in their desire to win the Soviet market, shut their eyes to the above-mentioned activities..."

Lenin predicted that the "capitalists" "will furnish credits ... they will be labouring to prepare their own suicide." Subsequent history has dramatically confirmed the Lenin prediction.

The economic realities of export drives are generally not understood because of ignorance about finance. It is a thought-provoking fact that one of America's biggest export drives was during the Second World War; much of the nation's economy was geared to a flood of war production, all designed to "export" instruments of destruction against the Germans, Italians and Japanese.

So vast was America's productive capacity that although millions were in the armed services, being fed, clothed and paid, with millions more devoted to producing "exports" to pour against the military enemy, the average real standard of living in America was higher at the end of the war than it was at the beginning. From a realistic economic point of view, the colossal military "export" drive was sheer economic loss. But it did accomplish what Roosevelt's Socialist New Deal had been unable to achieve before 1939, primarily because a much greater volume of new financial credit was created and spent into circulation via tremendous war production and the payment of millions of servicemen.

One of the disasters of the Second World War was that it conditioned people in America and other non-Communist nations, to accept the Socialist teaching that their economies could only work with increasing expansion of purchasing power through Government, or Government-sponsored projects, and the Welfare State. Two American economists have been reported as arguing that even if elaborate space projects have little other real use, they do provide an unlimited export market into space, thus assisting the American economy to work.

The essence of Fabian Socialist financial policy, which has the support of the big international financial groups, is that financial credit is created and distributed through sophisticated forms of economic sabotage, including exports to the Communist Empire to prevent it from collapsing, with increasing control of the individual through economic centralization then being used to justify political centralization. High taxation, including that most insidious form known as inflation, and death duties are used to ensure that no-one can obtain genuine independence. Those who complain are asked do they want as the alternative — another Great Depression, which it is taught was the result of "uncontrolled free enterprise," "trade cycles" and, of course, "the wicked profit motive." If conservatives are going to counter the Socialist brainwashing of the past 50 years, they will have to start with an explanation of what really happened in 1929, and stop perpetuating some of the myths some conservatives accept.

CAUSE OF THE "GREAT DEPRESSION"

The Great Depression in the U.S.A. and in all other countries, was primarily the result of those controlling credit creation through the banking system, suddenly and without warning, drastically reducing the rate of credit creation while at the same time destroying purchasing power by calling up loans and overdrafts. Republican Congressman Louis T. McFadden, put the matter clearly in 1931 when he told the American Congress: "The international financiers sought to bring about a condition of financial despair and anarchy, so that they might emerge as rulers of us all."

As a former President of the Pennsylvania Bankers' Association, and a Chairman of the House of Representatives' Banking and Currency Committee, Mr. McFadden was well qualified to speak on finance and associated matters. Addressing the Democrats in Congress on January 31, 1934, he told them that they had "seized the public resentment" against the disastrous policies of the "self-style financial experts" and had then "turned over the process of government to the very same individuals who had wrecked us as financial experts, giving them barely time to change their clothes and re-christen themselves economic experts. You asked and received unlimited power in the name of emergency and then turned that power over to the men you had denounced as criminals ... Men who acquired fortunes by swindling the public as individuals are now placed in official positions." This type of comment, Mr. McFadden's exposure of the financing of Soviet Russia through Germany by Wall Street international financial groups, and the relationship of these groups to advancing Socialist programmes in the English-speaking world resulted in a massive campaign by these financial groups and their New Deal allies to successfully drive McFadden from Congress in 1934.

After Americans had experienced nine years of unparalleled economic activity and expansion, with the highest material standard of living any people in the world had enjoyed up until that time, just prior to the start of the Great Depression late in 1929, prices were still at a profitable level. It was not a fall in prices that caused the depression, as has been sedulously propagated, but the action at the end of October by the New York banks when they suddenly called in early every overdraft and advanced the rate of "call money" from a normal 3 per cent to thirty per cent or more. "Call money" was day-to-day money generally used by industrialists to pay wages. The reaction was immediate as borrowers threw their considerable securities on to the market in an endeavour to meet bank demands, and to finance wages. But there were few buyers because of banking policy.

Total national income in the U.S.A. dropped from \$82 billion in 1929 to \$48 billion in 1932. The overall result was over 200,000 bankrupt firms, over 12 million people were unemployed, and an appalling drop in the standard of living. A prosperous and confident people were delivered a disastrously disruptive attack on their society, not because of any defects in their highly developed free enterprise production system, but because of a policy of financial restriction.

It is instructive to recall that President Hoover, by profession an engineer, and therefore more of a realist, indicated that he realized that the basic cause of the developing disaster was financial when he sent an official memorandum to the Chairman of the Federal Reserve Board, Mr. Eugene Meyer, suggesting he reconsider the Board's policy. Mr. Meyer merely acknowledge receipt. No action was taken. He subsequently became Chairman of Roosevelt's Reconstruction Finance Corporation.

It is important to note that 10,000 of the smaller banks had failed in the U.S.A. by early 1933, and after Roosevelt had first closed all banks, only selected banks were permitted to re-open. This major step towards centralization of the American banking system, and credit control, met with the approval of the Warburgs who had brought the Federal Reserve system into the U.S.A. from Germany. One of the virtues of the old American banking system had been the prohibition of branch-banking by the mammoth Wall Street banks, with the

result that there was real competition between the thousands of small banks, and a fostering of local, decentralized economic development. But the weakness of the smaller banks was that in any "run" on the banks, they were the first to close their doors because of their inability to meet their depositors' demands to be paid in cash of some type. Which brings us to the subject of credit creation by the banking system, a subject which conservatives are generally either ignorant about, or do not mention.

Upon the outbreak of the First World War, even the Bank of England had to close its doors when a "run" took place. Depositors and those possessing Bank of England notes believed the convention that the Bank could meet all its liabilities in gold sovereigns. But, as Macaulay points out in his history of England, modern banking practices started when goldsmiths started issuing more receipts than gold and other valuables held. These receipts were the lineal ancestor of the modern bank note. Eventually, some dishonest goldsmith discovered from experience that it was safe to issue more receipts than gold and other deposits of wealth, because more and more people were content to use the receipts rather than be constantly withdrawing the gold. But what started as a fraud developed into a much more flexible money system. The process became the basic convention of the modern bankers, the descendants of the goldsmiths. It is a long time since gold sovereigns were used as money while what is today termed "cash", either in notes or coins, is a very small proportion of the total money supply of any modern country. The great bulk of money is today created in the form of bank, or financial credit with the cheque system providing the most flexible financial system possible.

THE CREATION OF CREDIT

A large number of authoritative statements can be quoted concerning the creation of money in the form of bank credit by the banking system, but the following are sufficient for the purpose of this article:

"I am afraid that the ordinary citizen will not like to be told that the banks can create and destroy money. The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. We know that this is effected. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one."

—The Hon. Reginald McKenna, Chairman of the Midland Bank, England, 1924.

"It is not unnatural to think of the deposits of a bank as being created by the public through the deposits of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on overdraft or purchasing securities a bank creates a credit on its books, which is the equivalent of a deposit."

—Report of the MacMillan Commission on Finance and Industry, Great Britain, 1931.

"You will find it in all sorts of documents, financial text books, etc. ... today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit."

—Mr. H.W. Whyte, Chairman of the Associated Banks of New Zealand, giving evidence before New Zealand Royal Commission on Banking, 1955.

"That is what they are for (to create the medium of exchange) ... That is the banking business, just in the same way that a steel plant makes steel.. The manufacturing process consists of making pen-and-ink or typewritten entry on a card or in a book."

— Mr. Graham Towers, Governor of Central Bank of Canada, giving evidence before the Canadian Committee on Finance and Banking, 1939.

The uninformed will immediately respond by asking why, if the banking system creates money in the form of credit with pen and ink, is there any limit on this credit creation? But convention still operates and as the MacMillan Report observed, banks observe a general ratio of one unit of cash to every nine units of credit created. Trading Banks also treat credit created by Central or Government banks as cash, which means that the broad rate of credit expansion by the trading banks is governed by the policy of Central Banks.

The Great Depression was used to develop the system of Central Banks everywhere, with the International Financial group in accord with the Socialists. For example, it was symbolic of the nexus between International Finance and International Socialism that Sir Otto Ernst Niemeyer, associated with the Bank of England, and Professor Theodore Emmanuel Gugenheim Gregory, a Socialist economist from the London School of Economics, visited Australia and New Zealand during the Great Depression to "advise" the Governments on the necessity for developing a "strong" Central Banking system.

It was only after the banking system had been centralized as a result of the Great Depression, that credit started to be made available at a faster rate - BUT ON TERMS. And the terms in the U.S.A. were acceptance of the Fabian Socialist New Deal.

Then came the next international crisis, the Second World War, which was used to centralize control of banking and credit still further. Out of the Bretton Woods agreements of 1944, came the World Bank and the International Monetary Fund. It was appropriate that the principal architects of this further centralization should be Soviet agent, Harry Dexter White (Weiss) of the American Treasury Department, and Fabian Socialist Economist J.M. Keynes, and that their good work should be endorsed by international financiers like the Warburgs and Rothschilds.

The British Socialist Party accepted the Bretton Woods agreements, the only substantial opposition coming from a section of the Conservative Party. Lord Rothschild found no difficulty in leading the Socialists in the House of Lords. Today a member of the Warburg group, Sigmund Warburg, is Fabian Socialist Harold Wilson's "private financial adviser." He has urged Mr. Wilson to get Britain into the European Economic Community, another programme of centralization. I have seen little realistic criticism of this programme by American conservatives. The first concept of a United States of Europe was put forward by Leon Trotsky.

"PAPER GOLD"

The latest move in creating a complete International Credit monopoly came with the proposal to create a new international currency termed "paper gold." But it was necessary to pave the way with another crisis, this time about gold. It has become obvious that even with an increase in the price of gold, this metal cannot be mined at the rate necessary to meet the requirements of international trade. Thus the necessity for "paper gold."

U.S. News & World Report of April 15, 1968 explains that "this new money...billions' of dollars worth, is to be created out of thin air." The article says, after asking the question, is this 'paper gold' "to be created by a stroke of a pen?," that the "new money will be backed by the full faith and credit of nations." Which brings us to the nub of the whole question of credit creation "out of thin air."

CREATION OF CREDIT

Like any other form of money, financial credit — or "paper gold" — has no value whatever IN ITSELF. It is not wealth. But it is created **against** real wealth and real credit, productive capacity. It is merely the bookkeeping which enables the **real** credit to be **used**. But instead of the bookkeepers being the servants of the community, they have become the masters. This is not a criticism of ordinary banking officials and managers. They are generally not overpaid. But the very honesty and integrity with which they operate the credit system, helps them provide a protection against effective action to correct a policy which insists that the community must go increasingly into the debt of those who issue financial credit.

Communities and nations are going progressively into deeper financial debt in order to make use of their own productive capacity. Those controlling the highly centralized banking system are therefore in the position to dictate the policies of nations. The British Tory leader, Benjamin Disraeli, warned against making "debt a national habit" which he pointed out "has made credit the ruling power."

The "ruling power" is now becoming a highly-organized international power, with a policy of progressive monopoly, leading to the World State. This power can only be broken by communities ceasing to borrow necessary financial credit from the banking system; by challenging the policy which insists that in order to use their own real credit, which today is largely a common heritage, they must borrow financial credit, pay interest on it, and accept the conditions laid down by those controlling credit policy.

Consideration of a credit system which will provide a community with adequate financial credit without a progressive increase in debt, necessitates some understanding of the working of the present finance-economic system. An excellent summary was provided in a Vancouver Board of Trade Report issued in 1943.

"The system which has been evolved and which is in use at present is basically sound. In order to induce individuals to co-operate in the production of goods, money is created and issued to them as incomes for their services. The sum total of all money paid out in all stages of the production of an article constitutes its price. In this way units of money are related to goods and the other material wealth of a community, thus the individual is provided with an inducement to join the co-operative effort of production... As prices are created in the process of production, so an accurate record can be kept. The individual then has a claim to any of the available goods and services he may choose... From the foregoing, it will be plain that money should be issued as goods are produced, and it should be withdrawn as goods are consumed.

"The efficiency and simplicity of such an arrangement.. would be valid provided that:

"(a) The amount of money issued to finance production was controlled to the

extent to which the people wished to use their productive resources (their real credit) in supplying themselves with the goods and services they wanted;

“(b) The total amount of money in the hands of the people at any time was sufficient to enable them to be able to buy all the available goods and services.”

C.H. DOUGLAS

The question of whether industry does automatically distribute, in any given period, sufficient purchasing power to meet the prices created over the same period, is a vital one which conservatives must face if they wish to make any constructive contribution to solving a basic problem. Many conservatives appear to assume that there is no problem of a deficiency of purchasing power, which leaves the Socialists with the initiative to exploit the problem to advance their strategy. It is significant that from the beginning of the Socialist movement, there has never been any real criticism of monetary policy, only of producers of real wealth, “the exploiting capitalists.” The Socialists have feared any adjustments to financial policy which would enable the private ownership free enterprise system to work satisfactorily, depriving them of conditions to exploit for their revolutionary programme. It was for this reason that immediately the British engineer and costing expert, Major C.H. Douglas, emerged at the end of the First World War with a detailed analysis of the defects of the credit system, and concrete scientific proposals for correcting these defects in order that steps could be taken towards “a society based on the unfettered freedom of the individual to co-operate in a state of affairs in which community of interest and individual interest are merely different aspects of the same thing,” (Economic Democracy), that the Fabian Socialists and Communists violently opposed the policy which came to be known as “Social Credit.”

American conservatives are certainly not encouraged to study the works of Douglas when the conservative group responsible for the widely-distributed and generally valuable publication *Keynes at Harvard*, can state (p. 67) that “Major Douglas was an old line socialist who developed the theory of social credit. This theory was adopted by the government of Alberta, Canada, and proved to be disastrous.” This type of false comment can only cast doubt on the integrity of those making it. The following is one of the many penetrating, critical comments on Socialism made by Douglas:

“Socialism, or to give it its correct name, Monopoly, is not a production system, which is exactly what one would expect from its origins... it is a legalistic system based upon a power complex supported by a set of abstract slogans which its policies and results contradict, where they have any concrete meaning. The idea so skilfully inculcated that confiscation of property will assist in the distribution of wealth is, of course, completely without foundation. Socialism is a restriction system, as any examination of Socialist practice in the Trade Unions will confirm, and it has two well-defined fundamental principles — centralization of power, both economic and political, and espionage.

“That is to say, every advance towards Socialism is an advance toward the Police State.” — *The Big Idea*.

In a discussion with the famous Fabian Socialist, Sidney Webb, Douglas dealt with every objection raised concerning the practicability of his monetary proposals, only to be told in the finish that Webb did not like PURPOSE. The proposals suggested by Douglas were not designed to produce

a Utopia — a concept which Douglas specifically repudiated — not to place the individual in the position where, in voluntary association with his fellows, he could effectively control his own destiny and develop in freedom.

Social Credit is not a "theory" which "proved to be disastrous" in the Canadian Province of Alberta. The attempt to implement Social Credit financial policy in Alberta was defeated by the Federal Government having the proposals declared unconstitutional. So far from these proposals proving "disastrous," they were never implemented. And the massive campaign of opposition in which once again there was a nexus between the Socialists and the International Financiers, demonstrated that there was deep fear that if these or similar proposals were introduced, they would prove successful.

DOUGLAS' FINDINGS

Major C.H. Douglas was an eminent British engineer with a wide experience in implementing a number of big projects in various parts of the world. He was called in by the British Government during the First World War as a costing expert to solve problems in the aircraft industry. His approach was one of the true scientist, objectively examining, but without any preconceived political theories. Having satisfied himself that modern industry was not distributing sufficient purchasing power, over any given period, to meet total prices created over the same period, and that this deficiency — which must become progressively greater with every technological advance and the displacement of human labour in production — could only be masked under present financial rules by progressively expanding new credits for excessive capital work, export drives, and instalment buying, Douglas placed his discoveries and suggestions before a number of prominent people.

He was completely detached, his approach being that commonsense men would be interested in being shown a major defect in the finance-economic system, in the same way that engineers are interested in learning about defects in machines so that they can be corrected. But he discovered that, in spite of the fact that his views were widely and intelligently discussed, with many prominent men endorsing them, it was clear that there was powerful opposition to any serious modification of financial policy. The tragedy was that the British Conservatives, who were the logical party to take up the Douglas proposals, failed to do so.

The test of prophecy is accuracy. Douglas correctly predicted what would inevitably happen if financial policy were not modified. There would be ever-expanding debt, as an expanding volume of new credit came from the banking system as a debt to finance the programme necessary to prevent the economy from collapsing. Interest charges on the expanding debt would help to make increasing taxation at all levels necessary. Progressive inflation would be inevitable, and increasing economic amalgamations leading to the growth of international cartels. This in turn would lead to political centralization with States and Provinces being dominated by Federal Governments, and National Governments being forced to amalgamate into regional groupings as a preliminary to the attempted creation of the World State.

All this and more has happened and still is happening. And in the process, there is growing friction and the undermining of the very foundations of Civilization. Social stability has become increasingly more difficult.

MAN — HEIR & STEWARD

No reversal of current developments is possible without reversing and modifying the financial policies which have been such a powerful instrument in the hands of the power-lusters. The true conservative knows how important is the past. As the young French-Canadian mystic, Simone Weil, so beautifully expressed it in *The Need For Roots*: "We possess no other living sap, than the treasures stored up from the past and digested, assimilated and created afresh by us."

A genuinely conservative approach to life requires humility, to accept the fact that the man is not self-sufficient. It is surprising how many conservatives will accept this truth concerning some subjects, but reject it in the field of economics. Far too many conservatives create the impression that their concept of "rugged individualism" is a type of free-for-all where the self-made man succeeds and the weak go to the wall. The truth is that no man is self-sufficient today in the field of economic endeavour. Even those pioneering on some of the world's remaining frontiers are making use of machinery and technical assistance which comes from co-operative industrial societies, themselves the heirs to a thousand years of "accumulated" industrial arts. The creative conservative of the Twentieth Century must take a new look at economics if he is to meet the Socialist challenge. Some proper humility is a prerequisite.

The following are basic truths which must be accepted in evolving a policy which will enable the best of our civilization to be preserved and developed along the lines of a genuinely conservative and co-operative society, one in which the creative initiative of every individual can find expression:

1. What might be described as man's basic capital consists of vast natural resources, including the soil. Growth is impossible without sunshine, rain and fresh air. All this is a gift from God. It is not produced by men's work. Labour does not produce all wealth as the Socialist and Communist claim.

2. The use of basic capital requires production capital. This has been developed at an ever-accelerating rate because each new generation is the heir to the accumulated knowledge of the past, which is part of man's cultural heritage. Without this knowledge, man would still be subsisting at a primitive level without even knowing about the wheel. It is more correct to describe man as a discoverer than an inventor. The truth concerning what is termed the "mechanical advantage" was DISCOVERED, not created by the man who first used a lever to lift a much greater weight than he could with only his own muscular energy. This and other truths are also a gift from God. The Indians watched the flow of water over the Niagara Falls for centuries, without realizing that here was an enormous source of power which could be harnessed to serve the individual. Present-day North Americans use this power, not because of greater physical ability than the Indians, but because they are heirs to knowledge passed on to them by previous generations. Semi-automatic machinery driven by solar energy, computers, machines making machines, with human labour as such now a minor factor, are the results of the cultural heritage.

3. Both morally, and realistically, the individual is entitled to a share in the benefits possible because of the application of the cultural heritage to basic capital. But although the cultural heritage, like basic capital, must be regarded

as a community heritage, in order that this heritage is preserved, extended and in the most competent and responsible manner on behalf of the individual, private ownership is essential. In a free-enterprise society, private owners should be a group of producing aristocrats, proud of their responsibilities and the opportunity to develop their various skills, serving a democracy of consumers.

4. As the "money vote" and price system is the most flexible mechanism through which the individual can exercise effective control over how his heritage is to be developed, it is the legitimate function of Government to ensure that the volume of community purchasing power AUTOMATICALLY reflects economic realities. The proper level of water in a cattle drinking trough is automatically adjusted by a ball-valve and the amount of water consumed by the cattle. The actual mechanics necessary to place individuals in control of their own credit, is one for appropriate experts to create. No change in the ownership or administration of the private banks is necessary.

C.H. Douglas predicted in 1924 that unless control of the community's credit were decentralized into the hands of its individual members, and the economic system reoriented away from the direction in which it was being forced by those monopolizing the control of financial credit, there would come a time "well within the lives of the present generation" when "the blind forces of destruction will appear to be in the ascendant... There is, at the moment, no party, group, or individual possessing at once the power, the knowledge, and the will, which would transmute the growing social unrest and resentment (now chiefly marshalled under the crudities of Socialism and Communism) into a constructive effort for the regeneration of Society... we are merely witnesses to a succession of rear-guard actions on the part of the so-called conservative elements of Society, elements which themselves seen incapable or undesirous of genuine initiative; a process which can only result, like all rear-guard actions, in a successive, if not successful retreat on the part of the forces attacked. While this process is alone active, there seems to be no sound justification for optimism..." — *Social Credit*.

A genuine counter-offensive by conservatives, demand a challenge to the policy of the credit monopoly.

It was Abraham Lincoln who observed that "the power to regulate the currency and credit of a nation" is "the Government's greatest creative opportunity."

A resurgent conservatism might well take the Lincoln statement as it's fighting motto.

APPENDIX I

CONSUMER CREDITS OR REVOLUTION?

An article published in *The New Times**, June 1979

All industrialized countries are now moving at an accelerating rate on a revolutionary road. Over recent years all industrialized societies have been experiencing high levels of inflation, compared with what was once regarded as acceptable, and growing industrial conflict as Governments and their "experts" attempt to discourage wage-earners from seeking higher wages to offset a decrease in purchasing power. Every type of control has been attempted, but the over-all result has been a progressive worsening of the general situation. After a period during which the inflation rate was reduced fractionally by restrictive policies which caused large numbers of business bankruptcies and contributed to creating high unemployment, now the inflation rate is rising again in Australia, New Zealand, Canada, the U.S.A. and the United Kingdom. The stage has been set for a new wave of industrial unrest, with the Marxists in key sectors of highly centralized economies able to paralyze communities to the point where members of those communities are practically defenceless.

As we predicted, changes in the politicians in Australia and New Zealand in 1975 would do nothing to change the course of events unless a financial policy of escalating debt and high taxation were altered. Unless the new Governments of the United Kingdom and Canada alter financial policy, they are going to preside over the same type of depressing disasters which have been experienced over the past four years in New Zealand and Australia. Britain's first woman Prime Minister may be as determined as supporters say she is, but unless she can take the necessary steps to reduce inflation by dealing with the basic cause of inflation, she is doomed to preside over even greater industrial unrest than that which undoubtedly played a part in the defeat of the Callaghan Labour Government. Mrs. Thatcher appears to have the same rigid orthodox approach to finance-economics as Prime Minister Fraser of Australia and Prime Minister Muldoon of New Zealand. Like Mr. Fraser, Mr. Muldoon has found that instead of reducing taxation he has to increase it. Displaying what can only be described as a type of invincible stupidity, in imposing recent savage taxation increases, which are inflating prices even further, Mr. Muldoon argues that this will control inflation! It is difficult for people of common sense to understand that prices can be brought down by putting them up!

THE BASIC PHILOSOPHICAL CLEAVAGE

The basic cause of the disintegration of what is left of civilization, is philosophic. The first essential for regeneration is an acceptance of the truth that the economic system exists to serve the individual; that the true purpose of production is consumption; that the benefits of technology should be passed to the individual in the form of greater leisure time in which he can devote himself to self-development. The policy of "full employment" is rooted in the

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anti-Christian philosophy that the individual exists to serve the economic system, and that any policy which enables the individual to obtain greater access to the abundance of the universe with less work as generally understood, should be rejected on the basis that "something for nothing" is bad for the individual. The philosophy underlying this viewpoint is that the individual cannot be trusted with freedom. The actual or potential abundance available for the individual is in fact "something for nothing." With the application of discovered truths to the abundance of the universe, the amount of human energy being applied to production, compared with other forms of energy, is but a decreasing fraction.

The real credit of a society is its productive capacity. The major part of that real credit is "something for nothing"; it is a heritage which belongs by right to the individuals of society. Financial credit, created by the banking system, must be seen either as a system to enable the individual to gain access to his heritage or as an instrument for controlling the individual by forcing him to operate the economic system in a manner which keeps him "fully employed," even if he is employed on production which is exported — given - to the Communist dominated countries. The financial credits so readily made available to finance production for the Communists could just as easily be made available to the individual so that he could obtain greater access to his own inheritance. Present policies make it inevitable that every improvement in technology in the non-Communist world requires greater exports in an attempt to control the individual.

INEVITABLE RESULTS OF PRESENT POLICIES

If present finance-economic policies are persisted with, it is mathematically certain that inflation and high taxation must continue. The drive towards still greater centralization with the consequent social disintegration, must accelerate. Programmes for creating the World State via Common Markets and New International Economic Orders are the logical result of a philosophy which regards the individual as but raw material to be manipulated by power-mongers. The labels on Governments will make no difference to realities. But the growing impetus towards centralizing power must result in a further break-up of Civilization under the impact of revolution. The situation is exactly as Douglas predicted when the founder of Social Credit started writing at the end of the First World War.

The essence of the rapidly-deepening crisis is that either the individual is permitted to gain access to his heritage, as a right, which means in practice the use of consumer credits distributed direct to the individual, or there will be revolution resulting from policies which insist that financial credits, created as a debt, are only made available for still more production. Looked at realistically, inflation should be seen as a measure of the unnecessary production in which the individual is forced to participate in relationship to that production which serves the individual's genuine needs. Although all governments pay lip service to the necessity of reducing deficit budgets, unless the new credits created for these deficits are made available the economies of the industrialized nations would suffer a major collapse. But as the new credits are written as a debt, and are used to finance still greater economic activity, they contribute towards sustaining high taxation and high inflation. They are like a drug.

A PROGRAMME FOR SURVIVAL

As the financial credit created for deficit budgets is written against a nation's real credit, its production capacity, and that real credit belongs to the individuals of that nation, then obviously the financial credit also belongs to these individuals. A start could be quickly made to reverse present revolutionary developments by writing present budget deficits as credits for the cost of administration only, and distributing those credits by financing the reduction of the present retiring age to, for a start 55 years. Offered a secure income for the remainder of his life, few individuals would reject the offer to retire from the production system at 55. Instead of working to feed or industrialize the Communist nations, the individual might decide to make toys for his grandchildren, or help with community activities. He might take up painting, or just go fishing. But he would be enjoying what is his, and permitting younger people to enter the economic system, thus sweeping away a number of growing social problems.

Part of the new credits could be used to lower prices of basic items in the economy with the use of a system of consumer discounts. A falling price level is a realistic reflection of the truth that the true cost of a unit of production is falling as a result of greater technology. A falling price level increases purchasing power, and makes inflation impossible. It also destroys all the basic causes of revolution. That is why Marxists are in the forefront of all opposition to the distribution of consumer credits. They understand that the distribution of financial credit direct to the individual spells the death-knell of their revolutionary hopes. And their spiritual brothers, the international financiers, also understand that the use of consumer credits would end their grandiose dreams of New World Orders.

The future of Civilization depends upon whether individuals can unite to wrest control of their own credit, real and financial, away from those at present claiming it as their own. The battle is between the individual and an unholy alliance of Marxists and Financiers.

APPENDIX II

CONSTRUCTIVE RECOMMENDATION OF A BRITISH CHAMBER OF COMMERCE

The 1933 Report of the Economic Crisis Committee of the Southampton Chamber of Commerce, England, one of the largest and oldest Chambers in the world, made the following constructive recommendations:

- 1) Money supply should be governed by the real credit of a community as represented by its productive capacity. This appears to involve the abandonment of any arbitrary restriction on the quantity of money, and the limitation of internal money supply by such an instrument as the international gold standard.
- 2) In order to ensure that money performs its true function of operating as a means of exchange and distribution, it is desirable that it should cease to be traded as a commodity.
- 3) Money being merely a vehicle of credit of the community, and the power which the control of money carries with it being nothing less than the control of the entire economic life of the nation, it is desirable that the administration of financial policy should be vested in a national authority directly responsible to the Sovereign and his people.
- 4) As the existing mechanism for the distribution of incomes fails to provide the purchasing power necessary to distribute the products of industry or the money equivalent of imports, it is necessary that purchasing power and prices of available goods and services should be equated... two alternatives are available:
 - (a) Either prices should be reduced to meet the purchasing power available without involving any loss to individuals, or
 - (b) Purchasing power must be increased to meet prices. Or both methods could be employed together.

APPENDIX III

NOTES ON THE AMERICAN REVOLUTION

How many students of history have heard that the real cause of the American Revolution could have been the bankers of London rather than the taxes on tea?

The book *Unrobing the Ghosts of Wall Street*, claims that some few years before the Revolution, the Colonies were happy and prosperous. Benjamin Franklin, who was later one of the framers of the Declaration of Independence and the Consitution explains it:

“Abundance reigned in the Colonies, and there was peace in all their borders. A more happy and prosperous population could not perhaps be found on the globe... The people generally were highly moral and knowledge was extensively diffused.”

Franklin, during a visit to England, noted the poverty and want in rich Mother England. Asked to explain the prosperity in the Colonies, he is reported to have replied: “It is because in the Colonies we issue our own.. money.. and we issue enough to move all goods freely from the producers to the consumers; and as we create our own money, we control the purchasing power of money and have no interest to pay.”

The book claims that this situation was not acceptable to the international bankers, then operating out of England, and they caused a bill to be passed in the English Parliament, forbidding the Colonies to use their “script money” and compelling them to use gold and silver furnished to them by the ‘English’ bankers in a limited amount — and at high rates, no doubt. Thus, began the debt-money system in America.

Benjamin Franklin reportedly said that within a year after this action of the bankers, the streets of the Colonies were crowded with unemployed, and that it was the poverty resulting from this British financial interference in the Colonies’ economy, which provoked the Revolution. “This was the straw that broke the camel’s back,” he said.

The colonies may have got England off their backs, but the international bankers were soon right back on.

Essential Reading

The following literature is recommended reading for those wishing a deeper understanding of the issue discussed in this booklet.

The Fabian Socialist Contribution to the Communist Advance by Eric D. Butler. An excellent examination of the role played by the Fabian Socialists in the advancement of Communism through financial policies they have helped to develop. \$1.15

The Money Power versus Democracy by Eric D. Butler. Wide-ranging, and penetrating study of how "democracy" could be obtained by individual action. \$1.15

Natural Cost and the Ownership of Money by J.D. Malan. An outstanding little work on the basic cause of inflation. \$1.00

Social Credit by C.H. Douglas. The scientific money system for the automation age of abundance and leisure. Douglas was the Social Credit authority, and this is his definitive work. This is the Douglas Centenary edition. \$5.00

Programme for the Third World War by C.H. Douglas. One of the first studies of the move to use finance as a vehicle to further centralize power. Written in 1943, the author certainly, because of his grasp of finance/economics and his vision, could be speaking about the world today. \$2.00

The Use of Money by C.H. Douglas. A very easy explanation of the principle of money creation and the proven fact that there is a lack of purchasing to acquire all goods and services produced. \$1.15

The Monopoly of Credit by C.H. Douglas. This is Douglas' major work on finance, and includes his controversial A + B theorem. This concerns the progressive time-lag between the generation of prices and incomes. This new Centenary Edition includes an introduction by Dr. Geoffrey Dobbs and a note about the author. \$5.00

Dictatorship by Taxation by C.H. Douglas. A little work which should be shown to all politicians. \$1.15

The Big Idea by C.H. Douglas. This work gives an outstanding word-picture of just what and who, are behind the policy of centralization. Also contained in this work is an explanation of the various pieces of legislation attempted by the Aberhart Government of Alberta, and which were then disallowed by the Canadian Federal Government. This legislation was an attack on the Monopoly Power. \$2.00

Economic Democracy by C.H. Douglas. This is the edition of Douglas' original work, with an introductory chapter by Dr. Geoffrey Dobbs. A basic text-book on Social Credit. \$4.00

Money and the Price System by C.H. Douglas. A speech delivered at Oslo on February 14th, 1935, to H.M. The King of Norway and Members of the Oslo Merchants' Club. What he said in this address applies even more so today. \$1.15

The New and the Old Economics by C.H. Douglas. An outstanding examination of just what is causing the shortage of purchasing power and a projection of what will happen if that gap is not bridged. Excellent for students of finance economics. \$1.15

The Breakdown of the Employment System by C.H. Douglas. This revealing address, while made over 50 years ago, is of particular significance at this time of increasing "unemployment" and inflation. \$1.00

The A.B.C. of Social Credit by E.S. Holter. Described by C.H. Douglas as "a straight forward, honest and simple outline of Social Credit." \$1.75

Report of the Economic Crisis Committee [of the Southampton Chamber of Commerce]. First issued in 1933 by professional men. History of the world since this report was first published bears fearsome testimony of the truth of the warning contained in it. \$1.15

Poverty Amidst Plenty by The Earl of Tankerville. An easy-to-read booklet throwing entirely new light on the hoax of under-production. \$1.15

Douglas — The Man and the Vision by Jeremy W.D. Lee. A brief, informative sketch of the founder of Social Credit. Outstanding reading. \$1.85

The Just Tax by Dr. Geoffrey Dobbs. This little book takes a very careful look at the moral question of taxation. \$1.00

Money — Fact and Fiction by J.D. Malan. Questions and answers about the nature and behaviour of money, and its influence over our daily lives. \$.95

Wall Street and the Bolshevik Revolution by Antony C. Sutton. This is perhaps Dr. Sutton's most significant works to date, revealing with very careful documentation, the part played by Wall Street financiers in financing the 1917 Bolshevik Revolution. With this work he also proves that because of the financial system operating the way it is, the West will be increasingly forced to export to its enemies. \$6.50

Leisure by Eric D. Butler, John Fitzgerald and David Purcell. This is a series of three papers delivered by three outstanding lecturers on this vital question. With the high rate of "unemployment" it is essential to take a good look at area. \$1.85

The Fear of Leisure by A.R. Orage. Also in this work is the author's B.B.C. speech on Social Credit. Orage was one of the literary giants of the British scene early this century and was the man who "found C.H. Douglas, and made his *New Age* publication available to him. This is Orage at his best with an introduction by L.D. Byrne, O.B.E. \$1.15

Upon That Mountain — A Plot to Betray Australia's Independence by Jeremy W.D. Lee. The chilling story of the New International Economic Order and what it means to Australia. \$1.50

Freedom and Inflation by Bryan W. Monahan. Totally objective and factual. The complete answer for the confused academic. \$1.30

The New Times. A monthly journal which specialises in examining the destructive role of finance economics eroding the West. This outstanding journal has a readership throughout the English-speaking world. Yearly subscription \$8.00

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Freedom should be defined as:

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