The Use of Social Credit

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An economist is in some sense a professing doctor--sometimes, perhaps, a witch doctor--of the Body Politic.

If I were asked to define the difference between a witch doctor and a modern physician, I should say that fundamentally a witch doctor accepts the diagnosis of his patient as the description of the disease from which he suffers, and the modern physician does not.

Since the patient, though suffering from heart disease, quite possibly states that a "Devil" has bewitched his breathing, the Witch Doctor resorts to spells, frequently of an alphabetical nature, while exhorting his victim to exertions which a physician would condemn.

Much the same distinction may be drawn in regard to the diagnosis and treatment of trade depression.

The idea that unemployment is a defect of the economic system and that the present distresses of society flow from it, and can only be cured by its elimination, is both unscientific and incorrect.

The sound economist observes that the best scientific engineering, organising and administrative brains are continuously endeavouring to achieve a given amount of work with a diminishing amount of human labour, and, that, therefore, an increase of leisure is both certain, and from their point of view, highly desirable.

When he hears that the prime requisite for a restoration of prosperity is a restoration of confidence, he examines the nature of confidence, and finds that it grows from the experience that an intelligent line of action will always lead to a desired result, and he concludes, therefore, that confidence follows experience, and does not precede it.

When he observes that the modern production system produces more than is sold although there are still numbers of the population of modern producing countries in drastic poverty, he does not conclude that the output of the production system should be reduced in order that it may correspond with the amount that can be bought, but he says that the amount that can be bought should be increased.

Proposals for the use of Social Credit as a remedy for the present ills are not primarily concerned with the production side of business.

Probably the greatest body of expert knowledge in the world is concentrated in the production system in one form or another, and this body of opinion may be left to continue its undoubted success in the past. But when we come to consider the distribution of the product, we are met with a less satisfactory situation.

The phrase of "Poverty amidst plenty" has become enshrined amongst the cliches of the English language. Social Credit, in consequence, is primarily concerned with the distribution, and not with the administration or technique of production.

Its problem is poverty, not plenty, and poverty consists of lack of money the essence of money being credit--the belief that money will do what it is supposed to do.

Economic production is interlocked with the distribution of money through the agency of wages, salary and dividends. The existing financial system stands or falls by the perfectly simple proposition that the production of every article distributes enough money to the general public to buy that article.

The orthodox economist says it does, the Social Engineer says it does not.

The Socialist complaint against so-called capitalism is that money has been distributed inequitably, that is to say, that some people, the "Capitalists," get too much and some, the "Workers," get too little. Hence the Socialist is permanently committed to a policy of "soak the Rich."

It is a primary tenet of Social Credit theory that though this unequitable distribution may exist, it is a secondary consideration to the fact that not enough money is distributed to buy the goods that are for sale, and that in consequence redistribution is not an economic remedy, whilst being a political irritant of a high order.

The first point which may raise in our minds a legitimate doubt as to whether the orthodox economist is quite right in regard to this matter is that the business of making money, and the business of making goods or growing food, have no ascertainable relation to each other.

Of course, the manufacturer, the trader, or even the farmer, sometimes talks about "making money". They never make money. They merely scramble for the money which is provided for them in varying quantities and under varying conditions by the hankers, with or without the assistance of the State.

It is a little difficult to pin the banker down as to his own conception as to his position in the community. If he is accused of providing an unsuitable amount of money, and thus causing business depressions, or, to a less degree, frantic booms, he retorts that he is merely a business man and knows nothing about economics, a claim which he can generally substantiate.

If, on the other hand, he is accused of missing a business opportunity which he does not wish to pursue, he is a little apt to retire behind a high moral obligation to the community. The point on which he is quite firm is that the initiative of decreasing or increasing the amount of money in circulation is his prerogative, and that if production or consumption are out of step with it, that is just too bad.

Now the fact that the banker can increase or decrease the amount of money in circulation with results which, though they may be satisfactory to himself, are somewhat tragic to the community, has tended to obscure the fact that we have no record anywhere of a satisfactory distribution of consumable goods to the extent that they can be produced, except in a time of expanding capital production.

To put the matter in its shortest possible form, we have no evidence that in modern times the price-system is self -liquidating and every evidence to show that it is not.

The theory of this proposition is somewhat complex and highly controversial, but the inductive proofs of it are endless.

One of the more obvious is contained in the constant rise of debt, stated by the Technocracy Group to be at the rate of the fourth power of Time, one hundred years being taken as a unit.

Another equally conclusive indication of the immense excess of price values over purchasing power may be derived from examining assessments for Death Duties in Great Britain and elsewhere, in which it will invariably be found that an estate alleged to be worth, let us say £100,000 and taxed in money upon that sum, consist only to the extent of two or three percent in purchasing power, the remainder of the estate being assets of one kind or another which have price values attached to them, and require purchasing power to buy them.

It is significant that in England eight years are allowed in which to pay Death Duties. It should be noticed that this confusion between assets having a price value placed upon them and purchasing power which is required to meet those price values (as if these, instead o£ being exactly opposite in nature, were similar) is one of the commonest sources of confusion in discussions of the money problem.

Now just as a man is taxed upon his assets and has to pay the tax in money which is purchasing power, although those assets do not grow money, just so do the price values of industrial assets enter into the price of the goods which are sold.

And the first objective of Social Credit is to provide sufficient money to meet these charges which occur in ultimate products as the result of the existence of industrial assets.

One of the methods by which it is proposed to do this is to take the charge for industrial assets out of prices and pay it direct to the owner of the assets.

Instead of taxing him in money for the possession of industrial assets we should, on behalf of the consumer, pay him for the use of them. That is not essential to the theory, but it is a quite possible way of dealing with the situation. The real beneficiary, it should be noted, is the consumer, who gets lower prices.

While a scientific regulation of the price level so that goods can be taken off the market by the available purchasing power as fast as they are produced is an essential component of a scientific money system, it does not deal with the second aspect of the problem, which fundamentally is related to the change over from manual production to power production.

Probably over 80 percent of the total number of issues of purchasing power distributed in our existing financial system, is distributed through the agency of wages and salaries and it is obvious that this assumes that 80 percent, at least, of the population will be maintained on a wage or salary basis.

But there is no ground for the common assumption that such a percentage can, or will be maintained in normal times, and every ground for assuming that it will decrease continuously.

On the other hand, the dividend system is independent of employment, and depends fundamentally, only on production. If we can arrange that while the wage and salary payroll becomes continually less, the dividend payroll becomes continually greater and more widely distributed, we have dealt with the second half of the problem.

There are two ways of looking at these aspects of the matter.

The first is moral or ethical, and is probably the less important, since we are less sure of our ground. Due very largely to a mistaken and mischievous Puritanism, probably having a common origin with Marxism, there is a widespread idea that no one should obtain a living without working for it, and it is noticeable that those who do, in fact, obtain a very handsome living without working for it, are most vigorous in their determination that there shall be the minimum extension of the principle.

The moral or ethical justification for a National Dividend, however, rests on the same basis (a sound basis) on which those fortunate persons who do obtain a living without working for it, ground their claim, that is to say, on the possession of property.

The property that is common to the individuals who make up a nation is that which has its origin in the association of individuals to a common end. It is partly tangible, but is to a great degree intangible, in the forms of scientific knowledge, character, and habits.

The extent to which this national heritage can be made to pay a dividend in money to the general population from whom it arises, merely depends on the simple proposition that the money, if spent, shall be effective in acquiring goods without raising prices.

To raise prices would reduce the purchasing power, not only of the fresh money, but of that which preceded it. If this provision can be met, that is to say, if there is undrawn upon productive capacity coupled with control of the general price level, then the mechanism of a National Dividend becomes fairly simple.

In its simplest form, it is the issue of bonds to the general population, similar in character to those which are issued to them in return for bank-created money during a period of national emergency such as war.

The exact condition's under which the bonds are issued is not an economic, but rather a political problem. Many factors enter into it, and it will, in all probability, be solved in various ways as the differing psychologies of peoples and their Government may direct.

In combination with the regulation of the Price Level, it affords a complete flexible method of insuring that what is physically possible is financially possible. Its inauguration in a modern industrial State means the disappearance of poverty in the old sense of the word, from the population of that State.

The monopoly of credit at present held by financial interests, that is to say, banking institutions and their affiliations, is obviously so valuable that it would be too optimistic to suppose that it will be relinquished without a struggle.

The primary weapon used in this war is misrepresentation.

The socialisation of credit, so far from being an attack upon private property, is probably the only method by which private property can once again become reasonably secure.

It is the alternative to ever-increasing taxation. It is a method by which everyone may become richer without anyone becoming poorer. It is, so far as I am aware, the only method by which the pernicious doctrine of "a favourable balance of trade" can be exploded.

In consequence, it is the primary requisite to the removal of the fundamental causes of war.

You are, however, unlikely to arrive at any_ conclusions of this character by reading criticisms of the theory which originate from orthodox financial circles.

In spite of the difficulty of obtaining a wide public presentation of the theory, however, the progress which has ben made by it, more particularly in the past two or three years, is remarkable.

There is no portion of the English speaking world in which it is not discussed, or in which, spontaneously, bodies for its propagation and realisation have not been formed.

The Canadian Province of Alberta has the honour of having elected on August 22nd, the first Social Credit Government, but I shall be surprised if it retains this isolated position for long.

New Zealand, Australia (and, in particular, Tasmania), South Africa, are all moving rapidly in this direction, more or less in the order named. Whilst in the United States other remedial measures have engaged public attention, steady education upon the subject has been proceeding.

So far as anything is certain in this world, banking dominance of credit, commerce and industry, is certainly doomed together with poverty amidst plenty.

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