What is economic democracy? Many talk about it in a superficial way. Social Credit gives a clear fundamental answer. Economic democracy means that the individuals in society are gaining increased individual control over their material environment. Specifically it means that the individual is (1) able to command by increased purchasing power a greater amount of personal consumption-goods, and (2) able to exercise a greater choice in the productive occupations he wishes to enter. The tests of economic democracy are a rising standard of living for all and expanding opportunity for productive activity either in employment or in leisure. The theory of democracy is that society is organized for the welfare of the individual. Social Credit is ultra-democratic and individualistic. Its goal is not the Regimented Work-State (cf. Russia, Germany, Italy) but the Leisured Society.

* * *

Douglas's second principle for financial redesign, "that the credits required to finance production shall be supplied, not from savings, but be new credits relating to new production," does not say that these new producer-credits should be created by the State. They could be, but they could just as well be bank credits as now. That would not matter, since the application of Douglas's first principle of cash credits of the population being collectively equal to collective cash prices for consumable goods would neutralize the bad effects of the working of the A + B Theorem. His second principle is intended to obviate money shortages arising from savings and investments in fresh production.

* * *

C. H. Douglas's most important books are *Economic Democracy,* published by Cecil Palmer, London, in 1920, *Credit-Power and Democracy,* published in 1920 by Cecil Palmer, London, and *The Monopoly of Credit,* published by Chapman and Hall, London, in 1931. *Credit-Power and Democracy* includes a Draft Scheme for the British Mining Industry, one of Douglas's very few blueprints of applied Social Credit. His first book, *Economic Democracy,* was published in America, too, but has long been out of print. Another book of his, *Social Credit,* was brought out in a revised edition in America (W. W. Norton, 1933) and carries as an appendix the Draft Scheme for Scotland. This last scheme inspired the drafting of a bill by the New Economics Group of New York which came to the attention of Congressman T. Alan Goldsborough, and with some modifications was introduced by him into Congress on August 23, 1935, the day Aberhart swept the Alberta elections. A two-day hearing of this bill occurred the following spring. In 1937, after making further modifications, Congressman Goldsborough reintroduced his bill, and this time there were protracted hearings at which testimony was given by Major L. L. B. Angas, James H. R. Cromwell, Professor Walter E. Spahr, and a number of others, the Social Credit point of view being presented by myself. Under the title of *Monetary Policy of Plenty Instead of Scarcity: Hearings before the Committee on Banking and Currency, House of Representatives, Seventy-fifth Congress, on H.R. 7188,* the testimony running to 611 pages was published by the United States Government Printing Office, Washington, D. C.

From a Social Credit point of view, the Goldsborough bill was loosely drawn in several places; it was revised by the Technical Studies Department of the American Social Credit Movement, and the text they circulated among their members is reprinted below. This draft does not make provision for a specific issue of National Dividends, but sub-section (d) of Section 4, Title 1, anticipates subsequent Congressional action for National Dividends. A careful study of this bill will supply the answers to many questions relating to details of administration that no doubt sprang to the reader's mind after his first perusal of the Douglas blueprint for a producer-and-consumer motivated economy.

A BILL

To provide a national monetary policy which will have a definite relationship to the requirements of domestic industry and trade under the conditions imposed by our power economy, which will enable the maximum production and consumption of needed and wanted goods and services to take place within the limits of domestic productive capacity, which will ensure the maximum delivery of needed and wanted goods and services to individuals, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—COMPENSATED RETAIL PRICES

Declaration of Policy

SECTION 1. Whereas it is the Constitutional prerogative of Congress to create money and regulate the value thereof, and whereas book entries representing bank liabilities to their depositors, loan customers, or other owners or holders of such accounts have the force and fulfill all the functions of money and are hereby declared to be money, and whereas the value of money is its purchasing power over goods and services and all other forms of property or property rights or evidence of ownership of such rights and property, and whereas the purchasing power of money varies inversely with the price of such goods, services, property and property rights, and whereas under existing law regarding the creation of bank deposit liabilities and under existing law and custom with regard to private ownership, contract and indebtedness the total sum of prices for goods and services produced tends to outrun the total amount of money available to buy them except at a financial loss to the producers of such goods and services, it is hereby declared to be the policy of Congress to adjust and control the volume of money so as to keep it equal at all times to the total sum of prices for goods and services on sale plus the total sum of the properly accounted unliquidated costs of goods and services in process of production in order to facilitate the maximum delivery of goods and services to the people of the United States in conformity with their desires and with the productive capacity of the national economy.

SECTION 2. In pursuance of such policy national currency notes are to be issued for financing a discount on prices to consumers at retail, as hereinafter provided.

SECTION 3. As used in this title—

(a) The term "national currency notes" means United States currency legal tender in payment of all debts and taxes but not available to banks as part of their cash reserves against deposit liabilities except on a dollar to dollar ratio to an equivalent sum of their deposit liabilities.

(b) The term "retail discount" means a percentage figure, to be determined by the Federal Credit Commission and published by the Secretary of the Treasury as hereinafter provided, which may be applied as a discount on the prices of goods and services offered by retailers to ultimate consumers.

(c) The term "compensated price" means the retail price of goods and services after the application of the retail discount. Sales of second hand goods will not be eligible for the retail discount.

(d) The term "retailer" means any seller of goods, including dwellings and services, to ultimate consumers who are natural persons, for their individual or family use and not for resale, and also includes service corporations insofar as they supply services at retail to the public for personal or family use.

(e) The term "services" means passenger transportation, distribution to homes of gas and electricity for domestic purposes, rental of homes, hospitalization, medical care, education, theatrical entertainment, and any other professional or non-professional services that may be supplied by individuals, partnerships, or other organizations, provided that the prices charged for all such services are based upon accepted principles of cost accounting.

(f) The term "national credit" means the amount of national wealth against which money may safely be issued without resulting in inflationary price levels.

(g) The term "national credit account" means an account in the Treasury of the United States against which national currency notes may be issued for the purpose of giving effect to the provisions of this Act.

Determination of Retail Discount

SECTION 4.

(a) Beginning ninety days after the passage of this Act, the retail discount for each quarter shall be determined by the Federal Credit Commission and proclaimed by the Secretary of the Treasury on the first day of each quarter or at such other times as the Federal Credit Commission shall recommend.

(b) Upon the passage of this Act and until the retail discount is determined and proclaimed as above provided, the retail discount shall be 20 per centum. Thereafter the retail discount shall be that percentage which the difference between the money value of national production and that of national consumption bears to that of national production. National production shall include all additions to existing values that may be produced in whatever category of production, and shall include imports, but shall not include write-ups of existing physical capital. National consumption shall include retail sales, but at the uncompensated retail price level, exports, and proper allowances for depreciation, waste, and obsolescence. In arriving at these figures only existing prices and price levels shall be used, in order that the production and consumption values expressed shall always be measured in terms of the existing dollar.

(c) If national consumption as hereabove described shall at any time exceed national production no retail discount shall be proclaimed. After each proclamation of the discount the data used in the determination thereof shall be made a matter of public record.

(d) After the passage of this Act and in the event of any subsequent Act by which Congress should authorize that direct payments to individuals be made from the national credit account but not in settlement of retail discount vouchers, then all such payments shall be calculated by the Federal Credit Commission as an addition to national consumption during the period in which they are to be paid.

(e) It shall be unlawful for any member or employee of the Federal Credit Commission to disclose the retail discount or any information received or employed in connection with the determination of the retail discount before said discount shall have been proclaimed by the Secretary of the Treasury. Whoever violates any provision of this subsection shall be dismissed from such membership or employment and shall be punished, upon conviction of such violation, by a fine of not more than $1,000 or imprisonment for not more than one year, or both.

Application of Retail Discount

SECTION 5. After the passage of this Act the retail discount shall be applicable to purchases of goods and services from retailers as defined in this Act, made by consumers who are natural persons, for the personal use of the consumer or his family and not for resale, trade, or manufacture. The application of said retail discount in trade shall be evidenced by suitable vouchers or forms prescribed by the Secretary of the Treasury. Said vouchers shall be used in reimbursing the retailer for selling goods and services at the compensated price. The intent of this Act is to provide a continuous settlement through the banks to retailers for sales at the compensated price as provided in section 7 of this title.

Contracts and Regulations

SECTION 6.

(a) No retailer shall be entitled to compensation on sales at the discount unless he has applied to the Secretary of the Treasury for, and has received, a certificate of authority or license, and has agreed to conform to such regulations as to cost accounting and maximum rate of profit on turnover of sales as shall be determined by the Secretary of the Treasury after public hearings open to all interested parties. It shall be the duty of the Federal Credit Commission to be represented at such hearings, to defend the general interest of the consuming public, and to subordinate all questions of special interests to that of the national credit as defined in this title. Decisions of the Federal Credit Commission as to the national credit shall be final.

(b) The Secretary of the Treasury may suspend or revoke any certificate of authority or license issued by him to any retailer, after reasonable notice and opportunity for hearing to the retailer, upon satisfactory evidence that the said retailer has not conformed to the regulations under which his certificate or license has been issued. An order suspending or revoking the certificate of license issued by the Secretary shall be final and conclusive unless within ninety days after its service the retailer appeals to the circuit court of appeals for the circuit in which he is doing business by filing with the clerk of said court a written petition praying that the order of the Secretary be set aside. Such order shall be stayed pending the disposition of appellate proceedings by the court. The clerk of the court in which such a petition is filed shall immediately cause a copy thereof to be delivered to the Secretary and he shall forthwith prepare, certify, and file in the court a full and accurate transcript of the record in the proceedings held before him under this subsection, the charges, the evidence, and the order suspending or revoking the certificate or license. Upon the filing of the transcript the court shall have jurisdiction to affirm or set aside the order of the Secretary or to direct him to modify his order, and the findings of the Secretary as to the facts, if supported by the weight of evidence, shall be conclusive.

(c) Whoever falsifies any account relating to the issuance of the discount at retail, or the goods pertaining thereto, shall be guilty of a misdemeanor. Whoever by collusion falsifies accounts arising in the costs of production and distribution to the retailers shall be guilty of conspiracy to defraud. Whoever violates any provision of this subsection shall be punished, upon conviction thereof, by a fine of not more than $1,000 or imprisonment for not more than one year, or both.

Compensation of Retailers Through Banks

SECTION 7.

(a) In order to compensate retailers for their disbursal of the retail discount, all banks in the United States, its Territories, and possessions, engaged in interstate commerce, are hereby authorized and directed to accept all vouchers evidencing disbursal of the retail discount and included in the regular deposits of their customers who hold licenses to disburse the discount, and to honor such vouchers as if they were cash deposits, in the amount of the disbursals evidenced thereby.

(b) Banks entering credits to depositors on account of retail-discount vouchers shall charge them to their national currency notes account, and the Secretary of the Treasury, or his agent, shall deliver to said banks, on request, national currency notes to a face value equivalent to the amount of the retail vouchers entered in the books of the bank. The banks shall be entitled to make a reasonable service charge to such depositors for the services rendered. The amount of such charge shall be fixed by the Federal Credit Commission.

(c) Retailers' deposit accounts written up by the method herein provided shall be treated by all banks as part of their circulating deposits just as if the write-up had occurred through the discounting of their customers' own notes, and the checks drawn against them shall circulate in the usual manner.

(d) Any person who makes a false entry on a retail discount voucher, or who presents a false retail discount voucher to a bank for deposit, or any retailer who manipulates his sales totals in obtaining settlement of the compensated prices shall be punished, upon conviction thereof by a court of competent jurisdiction, by a fine of not more than $10,000 or by imprisonment for not more than two years, or both, and in addition his license to dispense the discount shall be revoked.

TITLE II—FEDERAL CREDIT COMMISSION

Organization of Commission

SECTION 201.

(a) To carry out the purposes of this Act there is hereby created a Federal Credit Commission (referred to in this title as the "Commission"). The Commission shall be composed of seven Commissioners who shall be appointed by the President by and with the advice and consent of the Senate.

No person shall be eligible for appointment as Commissioner unless he is a citizen of the United States and in the judgment of the President qualified to develop expert knowledge of economic, industrial, and statistical problems and to perform efficiently the duties required by this Act. Not more than four of the Commissioners shall be members of the same political party. Terms of office of the Commissioners shall expire, as designated by the President, one at the end of each of the first seven years after the passage of this Act. The term of office of a successor shall expire seven years from the date of the expiration of the term for which his predecessor was appointed, except that any Commissioner appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term. Commissioners shall be eligible for reappointment and shall receive a retiring pension of $2,000 per annum for each year of service, but not in excess of $14,000 per annum.

(b) The Commissioners shall be ex-officio members of the Federal Reserve Board.

(c) The President shall annually designate one of the Commissioners to act as Chairman of the Commission. Each Commissioner shall receive a salary of $20,000 per year. No Commissioner shall engage in any other business, vocation, or employment than that of serving as Commissioner.

(d) The Commission shall have authority to employ and to fix the compensation of such special experts, examiners, statisticians, clerks, and other employees as it may from time to time find necessary for the proper performance of its duties.

Duties of the Commission

SECTION 202.

(a) There is hereby created an account in the Treasury of the United States to be known as the national credit account. This account shall be credited from time to time at the direction of the Commission with the difference between the dollar value of the national production and that of the national consumption, as determined by the Commission, when the value of the national production is greater than that of the national consumption. At the end of each period the amount in the national credit account which shall not have been drawn upon in that period shall be written off. If before the end of any period the national credit account shall have been entirely drawn down, while retail sales and bank acceptances of retail sales vouchers are continuing at the authorized retail discount, the Commission may at its discretion empower the Secretary of the Treasury to continue to issue national currency notes upon the demand of the banks until further notice from the Commission and such additional currency will not be a charge upon the national credit account in any future period. The Commission may also reduce or suspend the retail discount before the expiration of any period in accordance with later figures for national production and consumption which may be in its possession.

(b) The Commission shall use all reasonable ways and means to determine the retail discount as accurately as possible strictly in accordance with the methods prescribed in section 4 of title I of this Act and without any extraneous influence or advice. The decisions of the Commission as to the retail discount shall be final.

(c) The Commission shall establish and maintain a statistical bureau to collect and coordinate the data necessary for carrying out the provisions of this Act and shall be guided in its decisions by the facts disclosed. All statistical departments of the Federal Government shall furnish such aid and information as may be required by the Commission. The Commission shall have authority to call for data and statistics from all economic organizations, trade associations, and private business which may be required in the judgment of the Commission for carrying out the purposes of this Act.

(d) It shall be the duty of the Commission to fix the service charge for handling of retail discount vouchers by the banks for their customers as prescribed in this Act.

(e) It shall also be the duty of the Commission to hold hearings upon and to give publicity to the earnings of wholesalers, manufacturers, prime producers, and commodity speculators, and to recommend to Congress remedial legislation or special tax measures with respect to such earnings if in the judgment of the Commission they are derived from an unnecessary rise in factory, raw material, or wholesale prices which by unduly raising the dollar value of the national credit account would cause it to contribute to an artificially sustained inflation and unfair distribution of the total national income to the disadvantage of any class or section.

Interference with Functions of the Commission

SECTION 203. (a) It shall be unlawful for any person—

(1) To prevent, or attempt to prevent, by force, intimidation, threat, promise, or in any other manner, any member or employee of the Commission from exercising the functions imposed upon the Commission;

(2) To induce, or attempt to induce, by like means, any such member or employee to make any decisions or order, or to take any action with respect to any matter within the authority of the Commission; or

(3) To induce, or attempt to induce, by like means, any such member or employee to disclose any information whatever except through the channels provided in this Act.

(b) Whoever violates any provision of this section shall be punished, upon conviction of such violation, by a fine of not more than $1,000 or imprisonment for not more than one year, or both.

TITLE III—GENERAL PROVISIONS

SECTION 301. Any person who violates any of the provisions of this Act shall, in cases where no other punishment is expressly provided in this Act, be punished, upon conviction thereof, by a fine of not more than $1,000 or imprisonment for one year, or both.

SECTION 302. The Secretary of the Treasury is authorized to make such rules and regulations as he may deem necessary to carry out the provisions of this Act.

SECTION 303. There are hereby authorized to be appropriated annually such sums as may be necessary to carry out the provisions of this Act.

SECTION 304. All laws and parts of laws inconsistent or in conflict with the provisions of this Act are hereby repealed to the extent of such inconsistency or conflict.

SECTION 305. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

* * *

Let one further word be added on the question of the automatic cancellation of consumer credits. R. L. Northridge, a Social Credit technician, writes:

> If [the A + B] theorem is true at all, it is true continuously. So long as the present system of industrial accounting is maintained (and Social Credit, at least, does not propose to alter it), so long will it be impossible to recover in full each cycle of production credit. It will therefore not be sufficient to liquidate industry's present debt by an issue of consumer credit; every future production cycle will require a fresh issue of consumer credit if the production credit initiating it is to be recovered in full. In other words, every future production cycle will produce an increment of debt, i.e., "cancellation power," and it is this continuous stream of cancellation power that is the justification for a continuous stream of consumer credit and the guarantee for its cancellation . . . The question of special machinery for retiring consumer credits does not arise at all, if their issue is properly related to the ascertained deficiency of purchasing power.

As the matter has sometimes been put, when consumer credits meet producer debts, it is like a positive charge of electricity meeting a negative charge. The two forces neutralize each other and vanish.

CHAPTER NINE

It is of considerable interest that Georg Friedrich List was stimulated by early American economists and formed his major conclusions while residing in America from 1825 to 1830. Of the United States he said that "the best book on political economy which one can read in that country is life itself . . . A process, which in Europe would require many centuries, takes place here under our very eyes—I mean the transition from a state of nature to pastoral cultivation, from that to agriculture, and from that to manufacture and commerce."

List was born in Reutlingen in Württemberg on August 6, 1789, the son of a prosperous tanner. His youth was rebellious. For a time he was a professor at the University of Tübingen, and then he was elected to the representative assembly of Württemberg; he was in hot water in both places and eventually served a ten months' sentence in prison on a charge of sedition. Lafayette, whom List had met in Paris, had urged him to go to America, and in 1825 he landed with his family in New York, meeting Henry Clay soon afterward. He settled in Reading, Pennsylvania, where he edited a German-American newspaper.

A great influence on him was Daniel Raymond's *Thoughts on Political Economy* (1820), which maintained that national wealth consists not in commodities but in *capacity*, and argued that capacity can best be attained by the harmonious development of agriculture and manufactures within the nation. Other sources for List's thinking were Hamilton's celebrated *Report on Domestic Manufactures* and the protectionist polemics of Matthew Carey.

In 1831 he was back in Germany agitating for railroads, campaigning for