

Social Credit?

Some Questions Answered

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KRP LTD
2002

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Introduction

Social credit is a fact of economic life. Money represents society's credit, presently created as debt to be redeemed through paid employment in the market economy. All economic agents who 'make' money, whether as bankers, commercial interests or wage and salary earners, remain in debt to society and the natural world for the real goods and services supplied to them by right of their possession of money. Money takes the form of the legal endorsement of society's credit. Once this is understood, the next stage is to examine ways in which individuals and groups have sought to retain and regain control over their own work and the intellectual and natural resources inherited from past generations through gaining control over their finances. Freedom from wage and debt slavery is an essential first step to regaining the fundamental conditions of economic democracy.

Although social credit economics has been in the public domain for eighty years, it has been effectively silenced by a mass media and an educational system locked in the illusion of technical 'progress' perpetrated by the purveyors of a vast array of consumer products. The necessity to produce in order to consume, to buy all the 'right' products so as to keep up with the latest trends, has overtaken virtually all other reasons for existence. Today social relations are overwhelmingly mediated by money, with all political and economic policy decisions being dependent upon the availability of money. Although money is a socially engineered phenomenon, the people who do the work of society, and who stand to suffer as the natural environment disintegrates, have no control over the money creation processes which dominates their lives. From time to time, the social credit wheel is re-invented as, for example, by David Korten in a recent seminar:

Contrary to the title of my book, When Corporations Rule the World, it's actually the global financial system that's in charge. Much of the dysfunction in our economic system can be explained by the fact that the ruling financial elite has largely detached itself from anything real. It pursues its own independent agenda and in the course of doing so is wreaking havoc on human societies everywhere.

While the stock market is booming and we are assured that we are getting richer by the day, we are also told that there is no longer enough money to provide an adequate education for our children, health care and safety nets for the poor, protection for the environment, parks, a living wage for working people, public funding for the arts and public radio, or adequate pensions for the elderly. How is this possible? What's gone wrong? (FN1. David Korten "The ABCs of Finance Capitalism" Reproduced in Sustainable Economics Vol.9, No.6. November 2001).

In 1945 John Hargrave sought to answer the identical questions:

Suppose the community needs ships, or the development of agriculture, or new schools and hospitals. Instead of setting to work to make and do these things, they are told, and actually come to believe, that "the cost is prohibitive" in spite of the fact that quite obviously, what is physically possible is, and must be, financially possible. And so, because of the Myth of

Financial Debt, they let their shipyards stand idle, let their fields and farms go to rack and ruin, let their children go to schools that ought to be pulled down, and put up notices saying "The So-and So Hospital is Falling Down! Please give your money to our Rebuilding Fund" (FN2 John Hargrave Social Credit Clearly Explained 1945).

Writing in the booklet *Social Credit Clearly Explained: 101 Questions Answered*, Hargrave was drawing upon the work of Douglas, whose first book *Economic Democracy* was published in 1919, giving rise to the Social Credit movement. This booklet follows Hargrave's question and answer approach, but brings social credit economics into the twenty-first century. Although the specific examples may have changed, Douglas' original observations that economic warfare was the source of military warfare and ecological degradation have been confirmed with the passage of time. Alternatives proposed in this booklet, and elsewhere in social credit literature, are mere suggestions to stimulate discussion, not a blueprint to fit all circumstances. Queries in the earlier part of the text may be resolved by later answers, and the whole is designed for individual and group study.

The questions and answers in this booklet serve as an introduction not only to Douglas' work and social credit literature, but also to an older and wiser body of teaching which has been swept aside by the destructive forces of global capitalism. It is far from essential for the present system to continue in its present archaic form.

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February 2002

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PART 1

What is Social Credit ?

1. What is 'social credit'?

Social credit is the wealth of society, comprising the resources of land, labour, capital goods and equipment, and the skills and knowledge of how to use those resources. Social credit is the real wealth of the community, but is currently controlled by private financial interests. Since the 1920s the popular Social Credit movement has sought to create local economic democracy through promoting study and research into how the money system works. The concept of economic democracy is fundamental to social credit economics. Political democracy, the right to vote, is weakened by the absence of economic democracy, the right to income security for all, independent of a private or state employer.

2. How did the Social Credit movement originate?

Social credit economic theory derives from the writings of Clifford Hugh Douglas (1879-1952). In the development of his ideas Douglas worked closely with Alfred Richard Orage (1873-1934), the guild socialist editor of the weekly paper, *The New Age*. Douglas' earliest books, *Economic Democracy*, *Credit-Power and Democracy* and *The Control and Distribution of Production* were first serialised in *The New Age*. Douglas also wrote *Social Credit* and *The Monopoly of Credit*, together with a host of smaller booklets, pamphlets and articles. He gave evidence before the Canadian Bank Enquiry in 1923 and the Macmillan Committee in 1930, on the latter occasion being interviewed by John Maynard Keynes.

Douglas' theories about the financial system originated in his observations during his work as an engineer in the first decade of the twentieth century. In each firm for which he worked, useful and imaginative projects were being turned down for lack of money to implement them. Although the materials were to hand, the technology invented, the labour crying out to be employed and the need researched and documented, the availability of money was the deciding factor. During WWI, while sorting out the finances for Farnborough aircraft factory with the use of a 'tabulating machine' (an early computer), Douglas noticed that the total costs incurred each week in the factory were greater than the total sum of wages, salaries and dividends being paid out that week. He took a further hundred UK factories and made similar calculations with the same results. After the War he tried to interest politicians and leading figures in his observations, but met a blank wall. About this time he was introduced to Orage. Following lengthy talks with Orage and other guild socialists, Douglas blended his technical observations with the guild socialist political and economic philosophy, giving rise to the Social Credit movement. Social credit originated in the UK, spread across North America and to Australia, New Zealand, South Africa and many other countries before WWII.

3. Where does Social Credit stand in the political spectrum?

The study of social credit economics became popular at a time when 'socialism' stood for the quest for full employment and better health, education and working conditions for the working class. The social credit proposals to replace paid employment by small producer control over production and

distribution were so revolutionary, and so popular, that they were viciously attacked by the political left and right alike. Serious debate of the issues covered in social credit writings was limited because those in power looked to academic economists who, in turn, were determined *not* to engage with the issues as raised by social crediters. Nevertheless, social credit was studied in extra-mural adult education classes during the 1930s, and was included in an appendix to Crowther's basic university text on money, albeit with the intention of demonstrating that social credit economics was irrelevant to economic 'progress'. Douglas, and the social crediters studying and teaching his work, came under constant attack, being accused by some of being on the far right, and by others as being on the far left. It is always easy to take a phrase or sentence out of its context in order to discredit its author, if that is your pre-determined intention. We would challenge anybody who continues to claim that Douglas was fascist, anti-semitic or on the far right to justify their case through any single book, pamphlet or article of his taken as a whole, or indeed through any of Douglas' original writings.

4. Surely the Social Credit party came to power in Alberta and demonstrated the impracticality of Douglas' teachings?

Social credit was first introduced into Canada when Douglas visited the country in 1923 to give evidence to the Canadian House of Commons Committee on Banking and Commerce. His presentation aroused sufficient interest in social credit for a series of study circles to be formed. In Alberta the ruling party, the United Farmers Association (UFA) circulated periodicals, books and pamphlets on social credit, and the subject was keenly debated. When the UFA failed to introduce social credit measures, the people of Alberta voted in William Aberhart and his newly formed Social Credit party in August 1935. Despite the landslide victory, however, it proved impossible to introduce the desired reforms because the Federal Government of Canada and the Imperial Government in London declared each social credit measure 'unconstitutional', *i.e.* out of line with established banking practice.

5. What is the social credit idea simply stated?

Modern economies in the West have developed technologies capable of producing enough to meet the needs of all the people of the world. Through social credit economics it becomes possible to ensure that all citizens in each country have secure access to the necessities of life without any conditions or obligations being attached to this right. Society owes every human being the right to livelihood, with the time to enjoy the fullness of spiritual, emotional and cultural life.

Through the implementation of social credit economics, consumption and production can be brought into a balanced relationship such that production keeps pace with consumption. Income security can offer sufficiency for all without the necessity to submit to drudgery, or to engage in fraud and corrupt speculative practices. It eliminates the need to produce armaments and consumer goods designed to become obsolete and discarded merely in order to maintain incomes through employment.

6. What was the basis of Douglas' writings?

Douglas noted that in wartime finance was readily available to produce armaments and other wasteful forms of production. In peace time, however, money ceased to be as freely available, resulting in periodic chronic shortages of consumer buying power. In his view, this shortage could be corrected. In this way all goods and services could be readily distributed to consumers without the prior necessity to produce armaments for export to corrupt regimes, or to engage in ecologically wasteful forms of production.

Douglas' platform contained two basic concepts: (1) The A+B analysis and (2) A set of practical proposals for reform of the money system. The proposals included:

- The establishment of a National Credit Office.
- The debt-free financing of consumers' incomes outside the employment system
- The finance of production of goods and services based on local Producers' Banks to be co-ordinated through calculation of a 'just price'
- The introduction of debt-free finance for new production.

7. What is the A+B analysis?

Douglas noticed that the rate of flow of buying power to consumers did not necessarily match the flow of the prices of commodities coming onto the market at any given point in time. Goods exist in various unfinished states as they progress from raw materials to finished retail products. At each stage of production money is paid out in wages, salaries and dividends, although the goods have not yet reached the market. When a commodity reaches the market some wages, salaries and dividends are paid out (A payments) but not enough to cover the full cost price of the item from the raw material stage onwards (B payments). This is true of all commodities across the entire economy. At any point in time, all goods coming onto the market are priced according to past costs. Those past cost payments must be covered in some way or other if the economy is not to grind to a halt. Although the two might correspond, there is no *necessary* reason for the flow of money to match the flow of prices.

In this, Douglas was making a simple statement of fact. A payments cannot equal A+B payments. Hence additional buying power at least equivalent to B must be *distributed at the point of time in question*. This is exactly what happens in the real-life economy. All Douglas did was to explain the role of money in the economy as it operates *over time*, with a view to bringing the economy under conscious democratic control. The elimination of debt-created money and its replacement by credit-created money would release producers and consumers alike from debt-driven economic choices.

8. What is the 'Credit Authority' or 'National Credit Office'?

Any change in the money-creation process would have to be endorsed in statutory law. Noting the existence (at the time he was writing) of a National Debt Office, Douglas suggested a National Credit Office might provide a means to keep account of the nation's real wealth. By carrying out detailed assessments of the nation's real assets and potential to create wealth, the National Credit Office would calculate the nation's real credit available for allocation to projects and to individuals.

9. What is the national debt?

The national debt is the indebtedness of the government expressed in monetary terms. Calculated in many different ways, it includes public borrowing from private individuals, banks, financial institutions, foreign governments and international institutions (including loans, stocks, bonds and treasury notes). The government oversees debt payments to private institutions and individuals, rather than overseeing the national assets, of which the democratically elected government should rightly be custodian.

10. Does not the elected government, through the Treasury, control the Bank of England?

In theory, perhaps, the elected government could control the country's finances. In practice, the Governor of the Bank of England advises the Treasury. Only a foolhardy Chancellor of the Exchequer would ignore the advice of the central bank. The implications of this curious state of

affairs is rarely, if ever, considered in the process of policy formation at local, national and international level. Although the 'bottom line' determines what can, and what cannot, be done in households and institutions across the land, few could clearly explain whether that 'bottom line' is determined by elected governments or by banking and financial institutions. Hence policy proposals such as the national dividend or basic income cannot be currently entertained because they do not match the established agenda of the financial institutions.

11. What is the 'national dividend' and why might it be desirable?

The payment of a national dividend or basic income to all regardless of past, present or future employment would enable every citizen to claim a birthright share of the common wealth of the community. It would be paid to all, rich and poor, employed or unemployed, as is presently the case with child benefits. Whatever their circumstances, all would have a basic income security.

It would carry several major advantages. By eliminating means tested benefits, grants, subsidies and various periodical payments, bureaucracy would be vastly reduced, saving much time, frustration and stress. The technologies already exist to produce a sufficiency of goods and services for all with minimal labour inputs. Nevertheless, the financial necessity to 'work' for a wage or salary requires a constant stream of production and consumption, no matter how environmentally wasteful, in order that incomes can be generated. Income security would offer the possibility of producing and consuming fewer goods while enjoying greater leisure and greater satisfaction at the chosen forms of work.

A national dividend or basic income would be technically feasible, and could be introduced tomorrow, given the political will. It would not, however, be acceptable under the financial status quo.

12. Where would the money come from?

Although the national dividend would be paid over and above any wages or salaries being earned, it would not be derived from a tax on those incomes, nor would it be drawn from indirect taxation. The present system would be replaced by a new system of accounting, whereby the National Credit Office would calculate increases in the nation's real wealth – its ability to produce goods and services. By endorsing the creation of new finance credit, the National Credit Office would liberate producers and consumers from finance-dominated decisions about their use of resources.

Under the present system, money is created and then lent out for a fee, by the banks and financial systems which currently dominate economic policy formation. Complex calculations take place all the time. However, they are based purely on the *financial* viability of transactions, bearing only a very tenuous relationship with the living world of nature and community which supports the financial system and all economic relations. As a result, prices are set on grounds of financial viability, based largely on the necessity to recoup past financial costs. The system accounts energy and materials consumed as added wealth or value.

13. Is it possible to adapt the financial system?

Another way of looking at the financing of economic activity is to regard it as a 'ticket system' designed to allocate existing wealth to those who need it. The aim is to regulate production according to consumer demand without causing inflation. By regulating the flow of buying power in relation to the flow of actual and potential production, people are enabled to act as economic agents without the need for ever-expanding economic growth punctuated by cyclical booms and slumps caused by the debt-finance system. Instead, finance is advanced for local production through

local Producers' Banks. Nationally, the total buying power available is matched to the total prices of goods ready for sale through calculating costs of consumption of energy and materials, and depreciation, a task undertaken by the National Credit Office. Local Producers' Banks and the monitoring of prices through the 'just price' replace the necessity for new investment to be constantly created through debt finance so that wages and salaries can be paid out to consumers in each successive period.

14. What do economists have to say about social credit?

Nothing. Mainstream economics is rather like a religion. Orthodox economists accept the basic tenets of the so-called 'science' of economics. Anybody raising serious questions about any aspect of orthodoxy is labelled a heretic and finds it impossible to continue a successful career in the subject.

15. What are the basic tenets of mainstream economics that are challenged by social credit?

In its study of the economy, mainstream theory eliminates two vital phenomena: time and money. Elegant theory assumes that people go to work: as owners of land, labour and capital they contribute to economic production and are paid money wages, rent or dividends. At the same time they take the money incomes and spend them on the goods and services produced. That, basically, is all there is to it. Mainstream economic theory holds that it is possible to tinker with the system, but better to leave it unhindered to reach its own mysterious equilibrium. There is a fixed amount of money, and it relates in some magical way to the fixed amounts of goods and services produced in any given period. How the economy moves from one period to the next, how new investment occurs, and many other problems remain mysteries beyond the scope of economics. The creation of money itself might just as well occur underneath the proverbial gooseberry bush. It is simply 'not done' to question the process whereby money comes into existence.

Social credit calls for an examination of the ways money feeds into the economy, reaching consumers through incomes derived from production. Social credit seeks to adapt the existing system in two ways. First it challenges the assumption that personal incomes must be derived through paid employment, i.e. in producing goods and services designed to be sold for financially profitable exchange. The gradual introduction of a national dividend is designed to provide consumers with an independent economic vote. Second, accepting that money will remain the regulator of production, it becomes necessary to replace the debt-financing of new production with a credit form of finance in the form of producers' credits made available through local producers' banks. The flow of money into the economy in this fashion is no more complicated than the present system but far more comprehensible. It becomes possible to place economic activity in the hands of the local communities in the places where production and consumption take place, while removing control from centralised bureaucracies.

16. What is the major objection of mainstream theorists to social credit?

Mainstream theory focuses upon equilibrium in one time period only, flicking from one period to the next like the still images of a cartoon. It therefore assumes that while 'B' costs have been paid out in past periods and are no longer relevant to the present, they are at the same time available as consumer buying-power in the present. Social credit is capable of observing that money spent yesterday is not available today. Past 'A' costs may become 'B' costs, but 'B' costs never become 'A' costs again. Neither the individual nor society as a whole can spend the *same* money to meet the *same* costs in two different time periods. At different times, some new money must become available through some recognisable mechanism.

17. What is meant by the social credit motto "Out of debt, out of danger?"

Through a slow process, starting historically with the onset of the industrial revolution, the entire community has become financially indebted to the creators of money, the banks. Under capitalism, money is debt created by the banks. Furthermore, whoever is in debt is under the power of the person or institution making the loan. While most people try hard to avoid being in debt to a moneylender, few realise the extent of their own, and their community's, debt to and dependence upon the ultimate money-lender, the banking system. In the UK at the time of writing, the average family level of debt is £11,000.

Any community in financial debt is beholden to its creditors. The institutions from which it borrows can determine what kinds of agriculture are practised, what type of health service is financially viable, what forms of education and other services can be afforded – and which cannot. In reality, what is physically possible in terms of availability of materials, labour, knowledge and skills ought to be financially possible. Under the present system, however, certain factories lie idle, local shops close, the welfare of the land is neglected as fields and farms go to rack and ruin. Ignorance, stress and ill-health spread as the 'bottom line' determines policy in every sphere of life. From the social credit perspective, finance should be a tool, not dictator of social policy. This necessitates bringing the institutions of banking and finance under local and social control.

18. Do banks and financial institutions wield real power?

Banks and financial institutions determine economic, and hence political, outcomes through their ability to provide debt-based finance. There is nothing sinister about this, nor is it a closely guarded secret. Flick open any history book, and the facts will leap out. In 1931, for example, the Labour prime minister was forced to resign in favour of a coalition government purely on grounds of finance. The financial institutions refused to renew loans to the government because the Labour party would not sanction cuts in unemployment benefits and other government expenditures.

Bankers and financiers do not necessarily collude to delude the public. They merely operate efficiently the system they have grown up with and learned to respect. As individuals, in their youth they pursued their studies, did well and were successful in their applications for employment as junior members of staff. Those who were not suited to the ethos did not apply, are rejected or dropped out early on. Those who fit in do well, rise in the ranks and train others to follow them by passing on the same world view. If questioned, virtually all staff in the banks and financial institutions, from the highest to the lowest, would express astonishment at the suggestion that they were doing anything other than serving the community to the best of their ability. Occasionally, a high-ranking financier may raise questions of the type covered in this document, although this usually becomes public knowledge only when the individual retires. For the most part, bankers and the public they serve do not question the money system they have inherited from the past.

19. What changes would social crediters recommend?

The financial system is inherited from the past. Since it evolved to meet the requirements of an early and expanding industrial system, it does not necessarily match with present circumstances. A sensible course of action would be to examine how and why the system operates as it does at present. If financial debt is found to be unduly restrictive in social policy determination, it should be possible to introduce a debt-free money system. Nothing is set in tablets of stone. Relatively simple alterations to the credit-accountancy system could ensure that the task of the banker is limited to book-keeping of the nation's production and consumption under conditions of economic democracy.

20. What is money, and how is it created?

Money has become central to virtually every form of social interaction throughout the UK and across the world. Nevertheless, although it is so important in society, it has become almost a heresy to ask what money is, and how it operates. In economic theorising the amount of money in the economy is assumed to be fixed. According to orthodox theory, banks do not create money: they merely store savings deposited with them by their customers, lending out those savings to firms in search of investment. Hence interest is charged by the banks in respect of the loans they make for investment, and interest payments may be made to savers for the money they have saved and deposited. In this scenario, a government can regulate the economy through central bank adjustments to interest rates. However, examination of encyclopaedias and banking literature leads to the conclusion that in real life money is created as debt by the banks, for purposes determined by the local bank manager. Created by the banking system, money is a purely social construct representing access to society's wealth.

21. But money must surely have real value, like gold?

Yes, in the sense that all forms of paper and electronic money are 'promises to pay'. Even when the gold standard was still in force, payments were rarely made by transporting bars of gold from place to place. People merely exchanged 'promises to pay' made out by goldsmiths or bankers. Very early on, the paper promises issued were many times in excess of the amounts of gold held in the bankers' vaults. From that time forward, bankers were issuing paper promises to pay, *i.e.* credit, on society's behalf.

22. Is money created by people going to work?

Real wealth is created through work. It takes the form of goods and services which may be used by the maker or exchanged for money. However, work does not create money. A field may be planted up with potatoes and tended during the summer. When the farmer lifts the potatoes s/he will fill the sacks with potatoes, not money. If the sacks of potatoes are exchanged for money, that money must already have been brought into existence by somebody else. The farmer has not created it: that task is undertaken by bankers and financiers.

23. What, then, is money?

Virtually anything can be used as money so long as it is widely and generally accepted in exchange for goods and services in a particular society. Cowrie shells, cattle, cigarettes, beads, stones, feathers, precious metals, paper notes and blips on computer screens have all been used since ancient times in the settlement of exchange. As well as acceptability, durability and suitability for breaking into small measurable units have determined what a particular society has selected as its medium of exchange. Money represents a claim to the wealth of society.

The history of money is a fascinating story in itself, and there are many books on the subject. Round coins made from metals have been around since at least the twelfth century BC, and various forms of card and paper promises to pay have appeared within the last millennium, increasing in frequency since the seventeenth century.

24. What is the common cultural inheritance?

No individual can rightly claim a share of the proceeds of society because of the land, labour or capital they happen to own. This is because all production is social and collective. The basis of a community's wealth lies in a combination of naturally given resources and its common cultural

inheritance which flows from the imagination, insight, invention, discoveries and learning built up over past generations, coupled with present collective effort. At best, the effort of an individual might amount to 5% of the total value of the output they create through their work. The other 95% represents the value of the common cultural inheritance without which there would be no output. One individual may turn out a cog for a machine, using a machine already designed, in a building already built, having eaten bread already produced, and so on. No single item is of value without the total sum of items, designs, science, technologies and skills. The inheritance from the past belongs to the whole community, and cannot rightly be 'privatised' by individuals or firms seeking to benefit at the expense of the common good. Furthermore, the common cultural inheritance only yields wealth through the 'increment of association'.

25. What is meant by 'the increment of association'?

Production is a collective activity. There is no such thing as the solitary hunter providing for all his needs from the cradle to the grave. We are human because we work collectively, rather than on a series of separate desert islands. If we were to attempt to provide all our own food, clothes, fuel, shelter and so on our standard of living would be poor indeed. The survival of even the most materially simple societies is founded on the 'increment of association' whereby tasks are shared and undertaken collectively. All members of society benefit from the cultural knowledge without which possessions, tools and machinery would be worthless. As technology has become more sophisticated, many of the physical labouring tasks such as the 'hewing of wood and the drawing of water' have been taken over by machines. However, machines do not receive wages.

26. What happens to wages when machines take over?

Under the present wage (and salary) slave system, technological change often renders people 'unemployed'. Deprived of the right to an income through work, the 'unemployed' receive incomes through degrading means tests and 'work fare' schemes. The social credit proposals for a national dividend, or basic income, are designed to enable all to share the 'wages of the machine' deriving from the common cultural inheritance and the collective increment of association.

27. Surely that means social credit offers something for nothing?

We all receive something for nothing. Life itself is a gift. So also is the energy of the sun shining upon the earth and giving life to otherwise barren soils. Without solar energy there can be no life on earth, no production, no society, no economy. As human beings we can accept life, and we can destroy it. No matter how hard we try, however, we cannot create life, and never will. Social credit offers the means to economic democracy, the taking and sharing of collective responsibility for the further development of the common inheritance freely given by past generations.

28. But surely we must all work harder to feed the world?

Throughout the twentieth century human ingenuity, inventiveness and industry had the potential capacity to provide a sufficiency for the entire human race. Enough existed for everyone's need, though not for everyone's greed, especially the greed for power. However, military warfare created production and destruction on a scale unprecedented in human history. The 'civilised' world further allowed economic warfare to sabotage the potential for agriculture and industry to provide a sufficiency for all. Throughout the twentieth century, and across the world, nature's bounty has been described as 'glut' heralding financial ruin. Regularly, food stocks have been destroyed in order to maintain high prices rather than feed the starving, while subsidies have been paid to take land out of agricultural production in order to maintain prices. Furthermore, cars, white goods and other items of household equipment have been deliberately designed to become prematurely obsolete so

that their replacement would provide trade, employment and profits to firms and commercial institutions. The waste of human and natural resources involved in the practice of built-in obsolescence is colossal.

29. Was perfectly sound food really destroyed on a massive scale during the twentieth century?

Press reports of the 1930s carry many examples of the destruction of sound food for economic reasons. The economic position in Cuba was 'improved' with the destruction of the glut of sugar in 1932. In Britain sprats and herrings were thrown back into the sea, farmers poured away milk, tons of fruit were left to rot in British orchards and potatoes were destroyed in 1933-5. Meanwhile \$33 million were allocated to the slaughter of pigs, and \$102 million to wheat acreage reduction. 5,000 lambs were driven into the sea in New Zealand. As destruction of this type continued throughout the century, it became increasingly 'uneconomic' to produce local foods for local consumption. Instead, foods, fibres and drugs were increasingly grown as cash crops in third world countries, forcing indigenous farmers off the prime land and onto marginal lands. Bereft of access to fertile lands, wild foods, fuels and accessible water supplies, landless labour in the third world filled the shanty towns around urban centres. Poverty, starvation and soil loss became endemic. Occasional so-called 'gluts' of Western 'civilisation' were used to feed the poor, but this merely served to undermine indigenous farmers still further. More recently in Britain, Foot and Mouth Disease, BSE and other diseases in farming followed from the domination of finance in decision-making. "Sound finance" has ruined sound farming.

30. If the social credit analysis is correct, why is orthodox economics so mistaken?

Orthodox economics studies the economy by assuming the existing economy as given. The distribution of property and wealth, the system of banking and finance, the state of technology and all elements in the economic life of the community are as they are because they are as they are. Thus it is the task of the economist to study and describe the economy as it actually works, with a view to predicting future economic outcomes. As the weather forecaster takes the natural elements as fact, so the economist takes the economy as fact, to be predicted much like the weather. Elegant theory need not be disrupted by messy facts like poverty and environmental degradation which have nothing to do with *economics* as such.

PART II

How Social Credit Works

31. Can social credit legislation be introduced to a single country?

Yes, so long as the country holds sovereign powers over its currency. A province or state under a federal government could not bring the issue of currency under democratic control.

32. Who will do all the heavy and unpleasant work?

This is a difficult one, to be debated, no doubt at great length. Industrialisation has transformed many creative tasks undertaken communally into unpleasant and degrading tasks undertaken for individual money reward. As a result, many workers have been forced into spending all day, every day tied to unpleasant and soul-destroying tasks. Freed from wage slavery by the issue of the national dividend, it is possible to envisage a re-design of society through the elimination of many unpleasant tasks. A combination of technology, the common cultural inheritance and imagination freed from commercial constraints could produce a society where long hours behind the wheel of a long-distance lorry, sitting in front of a cash till, sewing mass produced garments or disposing of wastes of all kinds become obsolete forms of work. As this happens, and the intrinsic satisfactions to be gained from satisfying work replace the money motive, the necessity to work under somebody else's orders will diminish.

33. Who will pay for the public services?

Necessary public services will be paid for directly by the National Credit Office. With social credit legislation in place, any government could take stock of the physical and intellectual resources available to the community. What is physically possible should be financially possible. And that question should be determined by the community as a whole, with devolution to the most local level practicable, endorsed by a national legislative framework..

34. How will the national Budget be calculated?

This is a key question. At present government spending is sourced from taxation, being determined and accounted for in the Budget. As we saw in the answer to Q.16, the fiction is that people go to work to produce goods and services, receive money incomes in the process, and spend those incomes on the goods and services they have produced. It follows that if money is required to provide public services such as national defence, education and health services, direct taxation of incomes or indirect taxation of goods and services is currently the only way a government can acquire the necessary money. Under social credit the fiction that production must be increased in order to increase the supply of money is dispensed with. The government rather than the banking and financial system spends money into existence. This renders a Budget statement, in the sense of the collection and spending of taxation, superfluous. However, an essential part of any money regulation mechanism is the accounting of real wealth creation and consumption. A social credit budget would therefore show national production (plus imports) and national consumption (plus exports). As a new national accounting system replaces the old, it becomes possible to indicate the increase in cost values added to the nation's wealth and the depreciation over a given period. Rather

than collecting taxes to cover a deficit, in normal times the government will need to pay out a national dividend to dispose of the surplus. At regular intervals the government would need to draw up a social credit budget.

The problems of managing a social credit economy will be as real and as numerous as of managing any other economy. The illustrations used here and elsewhere in social credit literature are intended to spark the imagination rather than to serve as definitive blueprints. During the transition period, and ever afterwards, considerable inventiveness will be required to monitor and update the technical details in the light of experience.

35. Explain the price adjustment.

Once again, unfamiliar concepts expressed in seemingly familiar terminology can leave us with clouded understanding of a meaning just outside our reach. As goods come onto the market, retailers will be enabled to offer them for sale at a price below that of the full costs of production. The difference between the cost and the adjusted price will be monitored by the National Credit Office and paid out through the Local Producers' Bank. In this way the retailer will be able to pay the wholesaler, the wholesaler can pay the producer and the producer can pay all costs in the normal way. The relationship between production and consumption will be monitored to determine the price adjustment or discount rate. Normally production will increase faster than consumption. The price to the consumer will therefore drop, enabling the community as consumers to keep pace with the increase in production. If, however, goods are bought faster than they are produced, the price will rise, indicating the necessity to increase production.

Hence a discount rate of 1 per cent might operate over one period. In the following period it might rise to 3 per cent, indicating that production had risen, requiring a drop in prices.

36. What proportion of new money will be issued as national dividend (consumers' credits) and what through the price adjustment (producers' credits)?

The release from wage/salary slavery will necessitate a slow but gradual reform of work and consumption patterns, as suggested in Q. 63. The speed and direction of change will determine the balance between the two methods of money creation. If new inventions and lateral thinking are rapidly employed, soul destroying work will be reduced while the standard of living is raised. In this event, incomes through work will be increasingly replaced by increases in the national dividend. On the other hand, if the introduction of labour saving technologies and processes is slow, price adjustment will dominate.

37. Would the national dividend provide a secure and sufficient income for each individual?

Yes. In the UK today it would be possible to pool all benefits, pensions, grants, child allowances and subsidies to industry, agriculture and other places of employment. The equivalent money could then be distributed directly as income to each individual citizen of the country in the form of the national dividend. The amount payable would depend on the type of considerations outlined in Q. 41. Clearly, a period of transition from the old system to the new would necessitate gradual adjustment and constant monitoring. Gradual change would be preferable to wholesale upheaval. Hence the national dividend would be very basic at first.

38. Who will be entitled to draw the national dividend?

Every individual who would at present be entitled to claim child benefit if they had a dependent child would be credited with the national dividend. Parents and guardians would claim the national

dividend for their children as they do currently claim child benefit. Instead of being born into debt, children would be born into credit.

The issue of the national dividend follows the same principle as the issue of new money via credit cards. The results would, however, be very different. At present, average UK credit card debt currently runs at £5,000 per family. Since many families have no credit cards, the value of the debt of those who do is far higher. What the debt means is that the individual must remain in wage-slavery to pay off the debt, on a producing and consuming treadmill. The issue of new money as credit is at least as logical as the debt system. It would have the effect of offering economic freedom and democracy to the individual, creating a truly free market in labour.

39. Will people continue to draw private unearned incomes?

Since the changes are envisaged to be gradual, in the early stages of the new system saved and inherited fortunes will continue to provide incomes. However, the motivation to amass great fortunes will diminish. The provision of a substantial and secure state pension in Denmark in the late decades of the twentieth century led to a sharp reduction in private pension saving. The national dividend could be expected to have a similar effect.

40. Will millionaires be entitled to draw the national dividend?

Yes, in the same way as they may currently be entitled to child benefit. Everybody, including millionaires, will be entitled to the same birthright income. However, the very security of that birthright income will reduce the motivation to join the millionaire class. Instead of being born into debt, people will be born into credit. The issue of the national dividend as direct buying-power is not so difficult to visualise. Presently, a large percentage of money is issued as credit card debt, with many excluded from the benefits. The issue of credit money directly to all citizens is at least as logical as the present system. The exclusion of a section of the population because they were too rich would, however, negate the principle of a national dividend for all.

41. How will prices be fixed and controlled?

Prices will not be fixed. They will be adjusted with the rise and fall of production of goods and services. The National Credit Office will co-ordinate the local producers' banks. It will be the task of the latter to fix the ratio between costs and prices. Prices will be controlled by taking the general retail price level at the introduction of the new system, and announcing a uniform rise or fall periodically. This may be an unfamiliar way of proceeding. However, it is no more complex or difficult to grasp than the present chaotic system of determining economic outcomes.

42. Would not the British economy be in ruins if we fail to export manufactured goods and services?

At present the British economy is heavily dependent upon the export of financial services, armaments and other manufactured goods, while importing food, raw materials and manufactured goods. The theory is that exports bring in money to pay for imports of foods, fuels and raw materials for manufacturing industry. Clearly, an economy run on social credit principles would not operate on the same premises. Local production for local consumption, especially of food and clothing, makes sense under social credit but remains nonsense under the present financial system. In times of war and other crises, dependence upon imports makes little sense, save in terms of financial cost accounting. In times of peace, locally grown foods are both healthier and less environmentally costly. A strong, sustainable local agriculture is not an economic proposition in terms of the present financial system. Equally, manufacture for durability rather than obsolescence reduces the stress on the local community and its environment, but is not financially feasible at

present. In general terms, independence from long supply chains for everyday necessities is possible through social credit accounting, but remains an unrealistic aspiration under the present system.

43. Will a social credit Britain cease to trade internationally?

Under social credit the illusion that trade is essential for economic survival will be replaced by the awareness that the vast bulk of the necessities of life can be supplied locally. It then becomes possible to trade surplus goods, to travel for the pleasure of it, and to exchange skills and knowledge across national frontiers without wrecking the earth. International trade will always be possible. It is not, however, essential for human survival.

44. What about Europe?

The impossibility of introducing social credit to a country which does not have sovereign powers over its currency should give pause for thought to pro-EMU campaigners. A European Union conducting economic warfare against the other trading blocks could not tolerate social credit. On the other hand, a Europe composed of social credit nations would create a stronger and more secure economic and political unity, both within Europe and world-wide.

PART III

What changes can be expected under social credit?

45. Will social credit make wars less likely?

Yes. In modern times economic warfare has been the chief underlying cause of military conflict, both directly and indirectly. The export of armaments and other military equipment is highly profitable in financial terms. Both sides in a war can be supplied with weapons which are intended to be destroyed and replaced. The practice has been justified on the basis that it creates employment, and 'in any case if we don't export arms somebody else will'. In social credit terms, it does not make sense that armaments and military hardware must be made for export in order to put bread on the home tables. As Douglas put it, "I do not regard it as a sane system that before you can buy a cabbage it is absolutely necessary to make a machine gun".

46. So, trade is the cause of war?

Obviously it's not so simple. First we need to distinguish between trade and economic competition. Certain goods may be scarce or unobtainable in one area, and plentiful in another. In that case, trade provides a useful service to the communities engaging in it. As archaeological evidence indicates, stone age flints were carried vast distances to areas lacking in flint stone. However, in economic theory international trade is conducted on the basis of comparative cost advantage. That is a very different matter. According to the theory, whole countries conduct trade on the basis that each one has particular skills and materials. If each country concentrates on manufacturing the products they make best, and engages in trade to obtain the products they could only produce with more difficulty, total output is maximised and everybody is better off. It sounds plausible. The problem with orthodox theory is with that little word 'best'. Best has come to mean 'cheapest' in terms of cost. And cost is measured in terms of finance, which mainstream economics is unable to theorise. Technological 'progress', particularly in computing, enables powerful interests to compete for cheap labour and raw materials across the world, leaving social and ecological devastation in their wake. Mainstream economic theory, meanwhile, has not even the tools to ask the relevant questions, never mind come up with any answers.

Second, human beings are ruled by their emotions. Despite the wonders of modern technology, human nature has not changed since ancient times. Greed, envy, the quest for status and the lust for power remain the dominant motivations for political action. In Western so-called civilisation, leaders continue to follow the ages old ploys for securing and maintaining power over the people. That is, they tell the people that their common welfare and security is being threatened by outsiders or by sections within their own country. By denouncing their opponents as enemies of the people, the leaders identify themselves as the true friends of the people. It works every time, in any country and under any system of government: people tend to follow their leaders like a flock of lemmings over a cliff. If the leaderships of countries or communities are determined to go on war, the people will follow. Far from being 'rational', economic man allows ancient instincts to overwhelm his intellect. Hence, although international trade may not necessarily cause wars, those who question the need for it are routinely attacked as anti-social trouble makers, narrow nationalists and so on.

47. Would social credit feed the world?

Capitalism is an effective system of production which lacks an effective system of distribution. The technologies developed under capitalism are capable of producing abundance for all. The problem is in deciding what is produced, in what quantities, where and for whom. Social credit seeks to put

technologies, the common cultural inheritance, to best use. Here we use 'best' in its more general term, as in seeking the wealth and welfare of all rather than the interests, financial and otherwise, of a few. Under social credit theory it is possible to ensure that all receive 'votes' to determine what is produced and in what quantities as they spend their birthright national dividend.

48. How will the banking system work?

At present, national legislation gives the financial system the authority to create credit. The central bank and the commercial banks decide how much credit should be created, and to whom it should be given, on grounds of financial viability. Interest rates (the price of credit) may regulate the demand for credit, but they do not determine the question of who actually receives that credit, and who does not. That is an administrative decision taken by the banks and financial institutions on behalf of the community, without those institutions being accountable to the community.

Since credit is created as loans, it is vital to the present system that those loans be returned to the creditor with interest. Certain projects which are not financially viable will not receive the life-giving credit, no matter how socially or environmentally essential they might be (and no matter how socially and environmentally damaging the financially viable schemes are). At present the Governor of the central bank, or the loans officer of the local bank or building society determines which schemes and individuals are to be allocated credit, and which not. As money enters the system in this way, it is paid out as wages, salaries and dividends, and the whole system goes into operation. Yet who should allocate credit? Equally, who should determine the guidelines upon which it is allocated? These are policy questions hitherto ignored by mainstream economic theorists.

Under social credit the central bank becomes the credit issue department of the National Credit Office. Banks and other financial institutions operate at local level under the auspices of the National Credit Office. Through this adaptation, the financial system undertakes the book-keeping for the community, enabling policy decisions to be made on grounds of desirability and practicality. Finance becomes the servant rather than the master of the community.

49. Will people continue to invest in financial instruments?

At present financial speculation is rife. Over \$1 trillion are traded on the world's financial markets every day, yet only a tiny fraction of this money is exchanged in relation to the transfer of actual goods and services. The freedom to engage in speculative gambling is based on denial of the majority of humanity to make policy decisions as to the use of their lands and their labour.

The aim of the speculator is to secure an unearned income, *i.e.* an income independent of waged or salaried labour. The aim of social credit is to provide a basic unearned income for all so that the skills and resources of society can serve the welfare of the community as a whole. This has been the underlying philosophy of local communities across the world. So-called 'civilisations' based on the 'power over' philosophies have ultimately destroyed themselves as they have destroyed their resource base. Social credit will not ban financial speculation overnight. It will, however, reduce its appeal to all but the most addicted of gamblers. New projects will be financed by new credits, issued by the local Producers' Banks under the statutory authority of the National Credit Office. However, an extensive period of transition will be preferable to wholesale bans on current practices. Violent disruption of the present system, even if meticulously legislated for, might well result in an unworkable system and wholesale chaos.

50. How will taxes be calculated?

The purpose of taxes is to raise money for government to spend on public services. The term

'taxation' can cover all manner of revenue-raising, including rates, duties, licences, fees and tolls. Under the debt based financial system, the government allows the banks to create money, but has none of its own, except for the 3% of the money supply issued directly by the Treasury as notes and coins. Under this system the community is considered to have no power to create credit for public services. The community must therefore levy taxes or borrow its own credit-power from the banks. In the latter case, taxes are necessary to repay the loan with interest. Under social credit taxation will not be necessary. Instead the government will issue money for public services based on the productive capacity of the whole community. Like financial speculation, taxation will gradually fall into disuse.

51. Will social credit create full employment?

Technological progress provides the possibility of providing the means of survival without the necessity for all members of society to be engaged in full time employment. Hence the current policy of providing 'full employment' would eventually necessitate scrapping technology and going back to non-mechanical methods of work. That might be no bad thing. However, choices would be made in the context of the skills and materials to hand.

A sane economic system would provide economic security through the national dividend. Individuals would be free to determine how to spend their working day, using to the full the resources of the common cultural inheritance. Under social credit the necessity for everybody to find employment under the wage-slave system becomes obsolete. However, people would be free to choose to be 'fully employed' if they so wished.

52. If everybody gets a secure unearned income, who will do the work?

Under the present system, in the so-called 'developed' world 50% of adult hours of work are still hours of unpaid labour in home and community. It can be expected that these essential tasks will continue to be undertaken. Meanwhile, there is no reason to suppose that under a sane financial system people would altogether cease to produce goods and services for exchange through the money system. However, the necessity to be employed producing goods and services merely because they provide an employer with financial profits, and can be the subject of financial speculation, will evaporate.

53. Surely everybody should be forced to do their fair share of the work?

Division of labour exists in every society. Individuals specialise in certain tasks, developing particular skills and exchanging goods and services with others with different skills. Leatherworkers, cooks, weavers, potters, builders, carpenters and all the other crafts have existed since ancient times. Most people most of the time have developed a wide range of skills, and do not rely solely on one trade to provide all their needs. In the past, blacksmiths grew vegetables or wove cloth as necessity dictated. Nevertheless, individuals have always produced goods and services more speedily and efficiently when they specialised in certain skills, co-operated with others and exchanged at least some of the goods and services they produced and consumed.

With industrialisation division of labour was taken to extremes. According to theory, one worker alone could perhaps make 20 pins a day, and hence 20 workers would produce 200 pins. If, however, the workers divided up the work into ten stages, from drawing out the wire to threading the pin onto paper, the ten workers could increase the daily output of the pin factory from 200 to 48000 pins. Theory does not explain why anybody would want to spend all day, every day making part of a pin. Nor does it suggest there might be a limit to the number of pins required by society. Industrialisation continued to expand, accompanied by technological progress, such that the whole

pin can now be made by machinery. However, as fast as technological progress rendered workers superfluous for one task, more forms of assembly line work were created. Together with administration, retail, transport, services and a host of other tasks, the number of hours in employment, as average and in total, has increased as technology has 'progressed'. As a result, identical packets of biscuits pass each other on the motorways, heading to and from the same destinations, while cars, clothes, computers and all manner of goods are churned out, sold and rendered obsolete to be replaced by more almost identical temporary possessions. For social crediters, it would make sense to examine how dependence on a wage or salary forces people to undertake tasks they find arduous in order to produce goods and services that are superfluous, and how consumerism hypnotises people into playing their part.

54. Are you suggesting that technological progress should be abandoned?

Far from it. A return to hand crafting of all the necessities of life is neither desirable nor practicable. However, a dispassionate review of the quality of life in communities across the world is long overdue. Consumers in the so-called 'developed' world have a much higher standard of living than the average citizen of the 'less developed countries', excepting their elites. Measured in money terms, consumers can buy vast quantities of food, clothes, fuel, cars, computers, medicines and so on. All they have to do is engage in waged or salaried forms of employment, following orders sent down the management line, take the money reward and spend it on the range of pre-designed goods and services offered to them through sophisticated advertising media. Purchase of the illusion of luxury and status as a reward for stressful, depressing and degrading work is no substitute for the real thing.

Measured in anything but money terms, it would be very difficult to claim that the overall quality of life has improved with industrialisation. Gymnastics and sport have replaced the physical and intellectual challenges of growing food, making clothes and creating utensils. Meanwhile employment has become a matter of carrying out a limited number of routine tasks determined by a superior. Professional, white collar and salaried forms of employment offer the illusion of status, with access to a better range of goods and leisure facilities. Nevertheless, the hours of work in those forms of employment have not been reduced as technologies have 'progressed'. People are working longer hours, and then spending more money on luxury holidays, clothes, cars, restaurant meals and so on to compensate for the stress and exhaustion suffered during the hours of employment.

Equally, it does not seem as if the quality of life of the chain of people supplying the necessities and luxuries consumed by the well-off has been improved by technological progress. The physically and socially degrading conditions of work in factories, mines and agribusiness may appear to have vanished from the 'developed' world. Nevertheless, many dirty, noisy and degrading jobs still exist, despite the knowledge of socially and ecologically sounder alternative technologies. Meanwhile, almost all the furnishings, fabrics, audio-visual equipment, computers, white goods, processed foods and so on bought by wage and salary earners every day come at the expense of untold millions of degraded lives. Cheap labour in less developed countries is labour that has been forced off the land through the production of cash crops, oils and mineral mining. The time has come to rethink technological progress by finding ways to free people from slavery to the machine.

55. What will social credit do for agriculture?

Social credit will end the financial stranglehold over agriculture. It will no longer be essential to import and export basic foodstuffs for financial reasons, allowing each country to become self-sufficient in essential foods. New technologies for creating more profitable food products have driven farmers from the land, while rendering ecologically sound farming methods obsolete. The so-called 'cheap food' policy has lathered the land, the animals and the food they give with

petrochemical poisons. Polluted land, air and water courses combine with the spread of new diseases to make the food produced very expensive indeed, even in financial terms if the costs of subsidies, cleaning up of the environment and of ill-health are added into the equation.

Wherever cash cropping occurs, farmers are forced into debt to secure land, livestock and equipment. In order to remain solvent after repaying the debt plus interest, the farmer has no choice but to adopt socially and ecologically unsound practices to secure sufficient financial returns. The amalgamation of farms and the use of large scale machinery make sense in financial terms, but progressively destroy the ability of nature to re-stock and replenish itself. The same principle applies to trawler fishing, forestry and other human interventions with nature. With the national dividend providing a secure income for all, and the support of producers' credits, new environmentally sound technologies can be developed by and for local farmers. It opens up the possibility for farmers to supply fresh foods to local markets, while introducing environmentally sound practices to the care of the land and livestock. Equally, it becomes possible to use alternative technologies to reduce the 'ecological footprint' of cities by recycling wastes systematically, as was done until recently in China. Under social credit people will have greater freedom to choose how to spend their time. Under these circumstances, getting to know local food suppliers, supporting them and even growing some of one's own food become distinct possibilities. The fresher food is, the better for health.

56. How will large producers and small businesses be affected by social credit?

Under the present system change for the sake of change has become endemic. Wave after wave of new technologies are introduced, forcing small producers out of business. Often they cannot afford to buy the new equipment and train their workers in its use. Like professional and salaried workers, owners of small businesses are forced into ever longer hours to survive financially. Although small enterprises continue to survive, they are often dependent upon national and multi-national chains for markets and/or supplies. Meanwhile, large firms introduce 'labour-saving' technologies, creating redundancies and forcing their workers out of the employment of their choice and into the insecurity of part-time and temporary work under poor conditions of employment. The alternatives are dependence upon means tested benefits, the black economy or crime. Computing and electronic communications now enable travel and other firms to employ sales and clerical workers in third world countries where labour costs are low. Workers are trained to imitate the local dialects of customers, and given access to local weather patterns in order to imply that they are based locally. The drive to export armaments and military equipment continues relentlessly, despite the common knowledge that the vast majority of casualties in modern warfare are families with children, since that is what 'civilian casualties' means in reality. This crazy way of regulating economic affairs will be rendered obsolete under a social credit economy.

Local production for local use becomes feasible under social credit, reducing the drive to export at all costs in order to maintain a strong economy, and facilitating the introduction of appropriate technologies. At present mass production is used to turn out large quantities of 'cheap' products designed to be used and thrown away. The object of the exercise is to satisfy an ephemeral demand drummed up by advertising in order to make a financial profit. Under social credit, the use of mass production technologies will be limited to those products most satisfactorily made through mass production methods. In general, small producers will flourish, being better placed to meet local consumer demand for quality, durability and variety of design. Craftsmanship and design can be expected to flourish under social credit.

57. How will social credit affect supermarkets and chain stores?

Under mainstream economic theory producers and retailers react to consumer demand for goods

and services. They assume that in a free market, consumers signal their likes and dislikes by voting with their money. The prices resulting from this vote draw more or less of a particular commodity onto the market. In reality, a producer costs out the stages of production in advance and designs the product accordingly, determining price and design at the outset. Advertising is a crucial element in the design process. Far from satisfying demand, modern technologies are being used to determine and to standardise demand. At the retail end of the process, giant firms compete for the consumer by offering a standard product, forcing small farmers and producers into competition with their large scale equivalents. Such competition favours environmentally and socially unsound production methods. It involves large scale transportation, as goods are passed through various processes, packaged and warehoused in different locations. Above all, it wipes out specialised local retail outlets, further forcing small local producers into reliance on the chain stores. As a result, a small number of very large firms in each country can determine what people will eat, wear and enjoy the use of, and what will not be available 'because there's no demand for it'. Blanket uniformity and a devotion to a universal standard of fashion are best supplied by supermarkets and chain stores. If this is what people want, supermarkets and chain stores will continue unaffected by social credit.

58. Will social credit improve the lot of women?

Offering a secure income to all, the national dividend will be particularly useful to women. At present, virtually the only way to secure the right to receive an income is through taking salaried or waged employment on terms which are almost exclusively dictated by men. No amount of equal opportunity legislation will overcome the fact that family circumstances impinge on women's lives more than they do on men's. Where there are children, the elderly or the sick to be cared for, women are the first to be called upon to sacrifice career and earning capacity. Even where there are no family ties, women will often move employment to follow their partner's career move. In general, as a result of traditional patterns of working, women earn less than men, undertake more housework and caring activities and are less likely to achieve senior management positions. As a result, women often remain dependent upon a man with a higher earning capacity, even where the relationship is abusive, or must accept terms of employment laid down by men. Furthermore, women and men desiring to spend more time with their families will be enabled to exercise that option. The national dividend will offer economic freedom and independence to all.

59. Does that mean women will enjoy equal work status with men?

Yes. The security of the national dividend will enable both men and women to determine the terms upon which they enter into waged or salaried labour. Total dependence upon a money 'full time' wage is a relatively recent phenomenon. It is characteristic of the Anglo-American culture of globalisation, and far from universal. In the very early days of industrialisation, working families struggled to continue to grow at least some of their own food, and to collect foods, fuels and other natural materials from woods and moors surrounding urban areas. Seasonal, part-time and temporary waged labour in agriculture, domestic service or industry could allow members of the family to add to total income by buying in some extras. Such dependence gives the employing organisation an unhealthy power over the life and work of its employees. Employers will no longer be able to insist upon low pay, long hours or stressful working conditions when basic income security is universal.

60. Will people know how to regulate their own work and leisure?

At first, this could be a problem. The education system of the 'developed' world currently trains people to pass exams and gain qualifications in order to follow the orders of an employer. Employing organisations select suitable employees, preparing them to fit into the existing hierarchy. As far as the employee is concerned, the object of the exercise is to earn as much money as possible

under the least unpleasant conditions in order to spend as much time and money as possible on chosen leisure pursuits. Freedom from the system would require alternative preparation, so that the money motivation for entering into employment becomes less crucial. Notions of co-operation, service and responsibility, not entirely absent from the current system, can once more become central features of human social interaction. The task of reversing social and environmental destruction through the reconstruction of local economies will demand great energy and imagination. In the process, the distinction between 'work' and 'leisure' will become less clear.

Under the present system the work/leisure dichotomy is thoroughly incongruous. 'Work' means any task undertaken for a financial reward. Leisure is any task undertaken without financial reward. Hence sitting in a warm, clean room communicating with others electronically often counts as work, while caring for the old, the sick, the young, catering for the needs of off-duty workers, bringing up children, washing, cleaning, cooking, shopping, decorating, general household chores, chauffeuring and driving to and from 'work' (normally women's work) normally count as 'leisure'.

61. Surely, work is what people want?

Yes, that is true. However, there are two basic forms of motivation to work. First, people seek work in order to gain a money income to spend on 'leisure' pursuits. Second, people seek work for its inherent satisfactions. Job satisfactions include intrinsic enjoyment, duty, a sense of service, acquisition of new skills, prestige, status, socialising, personal growth, a sense of achievement, creativity and fulfilment. Although both types of motivation to work can exist side by side, where the money motivation is dominant the other satisfactions can be diminished. Furthermore, if money was the sole motivation for any work undertaken by any individual, society would collapse overnight. Only under slavery does work have nothing but negative value, although certain forms of wage slavery come very close indeed to being as degrading as slavery itself.

Economic theory holds that labour is a commodity to be bought and sold. Labour undertakes unpleasant tasks, takes its money reward and spends it on the pleasurable things created by the labour of others. This simplification has made a disastrous contribution to the present situation, since people have been conditioned into believing it as truth. In the main, economic analysis is totally incapable of offering rational explanations for the ways the economy operates. Small businesses, for example, may remain small for non-financial reasons. Hairdressers, retailers and many crafts recognise that the economies of scale are purely financial, and that the costs of expanding into large chains are loss of the ability to serve the local community on a person to person basis. The freedom from wage slavery offered by the national dividend will ensure that people undertake the forms of work of their free choice. Although it will always involve physical or mental effort, inherently satisfying work is one of the chief pleasures in life. Technologies now exist to ensure that no work need be degrading, demeaning or thoroughly unpleasant. Meanwhile, all forms of work undertaken as paid employment are, without exception, also engaged in as leisure pursuits. Fishing is undertaken as 'work' and as leisure, caring for the sick similarly, and so on.

62. Won't people tire of endless leisure?

A story is told of a man sitting under a tree on the edge of a lake, fishing. A businessman comes along and offers him work.

"Why should I work for you?"

"So that you can earn money."

"Why would I do that?"

"So that you can buy a house, a car and all the other things you want."

"Then what would I do?"

"You can save up for your retirement."

"What would I do then?"

"You could relax and go fishing."

"But I'm doing that right now."

'Full employment', the notion that everybody must be employed for a money reward derives from the need of a section of society to exploit society and the natural world for their own personal profit. Many examples could be quoted similar to the story just cited. Wherever colonial powers went, they turned the men (and women) sitting under the tree into slaves, forcing them under physical duress to undertake labouring and domestic work. The offer of a money wage was merely a more sophisticated version of slavery. Colonial powers found that they could impose hut taxes and other forms of taxation, forcing workers into mines and cash crop labour to earn the necessary money as an alternative to imprisonment.

Nevertheless, the feeling that a task is only worthwhile if one is paid to do it is very difficult to dispel. It is coupled with jealousy of those able to free themselves from the oppression of overwork, leading further to the demand that all should be harnessed to the yoke of full employment. There are many categories of people who, like the man under the tree, know how best to use their freely-given time. Artists, poets, musicians, scientists, inventors, scholars, writers, poets, gypsies and all manner of healers and craftsmen have always known how to make a contribution to society through inherently satisfying work. Furthermore, the necessity to be creative and inventive under orders and in return for a money wage or salary has crippled social invention, leading to the current ecological crisis. Patents, intellectual property rights and the financing of university research by big business have allowed the debt-money system to dominate virtually all policy considerations.

63. Is the freedom to work or not to work really desirable?

At present, many people wear the necessity to work long hours under stressful conditions as a badge of respect. To them, the freedom to work at a more leisurely pace, in co-operation with others but under nobody's authority but one's own, is a frightening notion. Often tinged with envy of the unemployed and the self-employed, this attitude to the work of self and others stems from a fundamental insecurity. Many reared to accept the hierarchical system very much need the emotional security of seeking to please a parent figure. In a sense, the immediate line manager, and the employing organisation as a whole, must be pleased, placated and obeyed in ways similar to the parent-child relationship. The sinister aspect of this phenomenon is the abdication of the individual worker of all sense of responsibility for the outcomes of work undertaken, under the assumption that the parent knows best and can be trusted to be issuing orders in the best interests of all. Opposition to social credit can be expected to be most fierce from employees of all manner of hierarchical enterprises. Wage and salary slaves, like slaves generally, have a tendency to become devoted to their masters.

64. Are you trying to create paradise on earth?

For many people the current global economic system is hell on earth. As lands are exploited for cash crops and resources are squandered in profligate production for the so-called developed world, millions suffer and die through starvation and military warfare while sea levels rise and tropical forests fall. Millions of workers are chained to machines to produce goods which they will never use or see used, the pittance they are paid being liable to be withdrawn on the slightest whim of the overseer. The degradation suffered under these conditions has to be endured to be believed. The choice is stark. You can either believe those academics, politicians and media puppets mouthing the platitude that there is no alternative. Or you can recognise the capacity of the human spirit to create paradise on this beautiful planet of ours. If you adopt the latter view, you will seek to join your

skills and capacities with those of like mind, working towards restoring local control over, and local responsibility for, natural and social resources. If you adopt the former view, you lend active support to the continuation of hell on earth.

PART IV

What is the alternative?

65. Surely it's the people running the system who are at fault?

The current financial system itself is flawed. Even a troop of angels and archangels sent directly from heaven could not run a system so inherently illogical. Replacing the people operating the system would make no difference, any more than it currently makes any difference to replace one political party with another. No useful purpose is to be served by blaming any identifiable grouping or section of society.

66. Could we not simply nationalise the banks?

Nationalisation of the banks would change nothing except the ownership of the banks. The banking system has to change. The change of ownership of a bowling green from one name to another does not change the rules of the game.

67. Surely ownership of the means of production gives control over production?

On the contrary, it is control of credit issue that gives control over the means of production. At present, finance capital controls real capital and determines what is produced, who receives an income, and on what terms incomes are received. This was explained by Lenin:

In running the current account of a certain number of capitalists, the bank may seem to be undertaking only a technical process; but when these operations assume extensive proportions, the result is that a handful of monopolists control all the operations, both commercial and industrial, of capitalist society. They can, by means of their banking connections, by means of knowing the state of current accounts, by means of knowing financial operations, first *ascertain* exactly the position of isolated capitalists, then *control* them, act on them by restricting their credits or, on the contrary, by extending them; at length they can *entirely determine their fate*, deprive them of capital, or, on the other hand, permit them to increase their capital to enormous proportions" (Lenin *Imperialism: The Last Stage*, 1927: 27-28).

Needless to say, Lenin's observations were not used to create a social credit state. Instead, the communist rulers learned from capitalist techniques, adapting them to secure equal centralisation of power.

68. Wasn't social credit adopted by Hitler?

Hitler's policy of autarky, economic self-sufficiency without reliance on imports, has some superficial similarities to social credit. However, that is where the resemblance ends. Arguments of this kind are frequently bandied about in order to discredit progressive thought and end serious dialogue on alternatives to the current unjust and unsustainable economic system. All too often emotive implications of this kind serve to brand campaigns and movements as socially unacceptable. Deliberate smears are often farcical, as when Hitler's vegetarianism is used to imply that all vegetarians are Nazis. Nevertheless, it is often easier to back away from a smeared new idea rather than pause to examine the validity of familiar assumptions. Hence Hitler was able to 'solve'

Germany's chronic unemployment problem by preparing for war, entrenching his popularity as national leader in the process. The identical policy was followed by each major power engaging in World War II. By the logic just discussed, that puts Hitler and the Allies on the same side in opposition to the forces of reason.

69. Why didn't Hitler adopt social credit?

No dictator would adopt social credit. A dictator must appear to offer the sole solution to a nation's problems, as Hitler did when he 'solved' the unemployment problem in Germany. Had he introduced social credit, however, every German citizen would have received a secure income in the form of a national dividend and the freedom to pursue the enterprises of their choice. Although they might have flocked to work in munitions factories and signed up for the armed forces in large numbers, that scenario is most improbable. Hitler would have been the first to recognise the incompatibility between economic democracy and Nazi hegemony.

70. Surely the only way to help the poor is to tax the rich and redistribute the money to the poor?

This is another way of saying that there is no alternative to capitalism. Mainstream economists would argue that the rich are wealthy because they are the wealth-creators. Therefore to tax them and redistribute the money to the poor would be counterproductive: the rich would stop creating wealth if they were not going to benefit from it. The only way forward, according to orthodox theory, is for everybody to work harder and harder so that the rich can become even richer. Eventually, when there is sufficient wealth for all, the poor will benefit from the 'trickle down' effect. On this reasoning, the twentieth century has seen the ever-increasing production of disposable consumer goods and the production and destruction of weapons of war on a vast scale. Once again, joined-up thinking is very thin on the ground. The reality is that the gap between rich and poor is growing.

71. Were not Roosevelt's 'New Deal', and the Keynesian route to full employment generally, the same thing as social credit?

Not at all. Whichever way it is achieved, full employment means the continuation of the wage slavery system which is capitalism. Whether under state or private enterprise, the obligation to sell one's labour (or professional services) to secure the basic means of subsistence leaves the body politic subject to the free play of powerful interest groups. No matter how dressed in high-sounding terminology, political democracy without economic freedom is empty rhetoric. The freedom to work under orders is not at all the same thing as the right to a national dividend.

72. Surely the range of income supplements and work-fare schemes are a perfectly adequate safety net for those living on low incomes?

No, they are not. A national dividend removes the need for virtually all types of income supplement. Under the present system, all supplementary incomes are derived from taxation-and-redistribution-of-income. As a result, the unemployed are prevented from taking casual, part-time and voluntary work, students are forced into debt and low-paid employment to the detriment of their studies, while pensioners with savings must spend those savings to supplement their everyday existence. Being a birthright income, the national dividend removes virtually all degrading forms of means testing and forced employment, leaving people free to apportion their time between home tasks, voluntary work and paid employment, managing their private affairs without interference from the state.

73. Would not state ownership of the means of production solve everything?

Wrong again. State ownership does not give the individual control over anything. If 60 million people own the railways, this does not mean that all can use them in a mad scramble and free-for-all. Under the present system, which is all we have to work from, each individual needs the money to buy a ticket so that they can use the railways. Social credit gives the power to use the resources and facilities of a modern community through the national dividend and the price adjustment.

74. Surely the welfare state was perfectly adequate in its hey-day?

No. The welfare state was based on the notion that a family man would start work at school leaving age, earn a 'family wage' to support his wife and children throughout his adulthood and contribute national insurance payments so that he might retire on a basic pension. Women would rely on their husbands for an income, going out to earn 'pin money' if they wished, but not to earn a wage and pension in their own right. In exceptional circumstances, if the man was unemployed, or died, or deserted the family, a carefully monitored means-tested benefit would provide a temporary safety net.

In reality, it has never been the case that even a substantial majority of adult citizens fitted into this pattern. Throughout the history of the welfare state women have provided employers with a pool of low-paid workers to be hired and fired according to the financial interests of the employers, while a substantial proportion of the male workforce has faced periods of sickness and involuntary unemployment. Insecurity of income has been a major factor in determining personal and household work patterns throughout the existence of the welfare state. The system is not compatible with economic democracy.

PART V

How can social credit be introduced?

75. Will it be possible to reform the banking system on social credit lines?

Yes, that is a straightforward matter of legislation. The banking system already operates on the basis of statutory law. Like weights and measures and other statutory requirements, including those currently relating to currency and finance, all that is necessary to change the system is to draw up and pass the necessary legislation.

76. What will happen if the bankers refuse to operate social credit?

The banks and financial institutions may well argue that social credit is unworkable because it is incompatible with the present debt-creation of money system. The working out of the new system will test the powers of democracy. If research, and debate based upon the findings of that research, is open and extended to major academic and other institutions throughout the land, the necessary legislation will be passed and enforced. If vested interests are allowed to hold sway over the debate in the mass media, as is the case with many issues of vital public concern at the present time, social credit will once more be silenced.

77. What do you mean by silenced 'once more'?

During the middle years of the twentieth century, social credit and its leading figure C.H. Douglas were household words just like Delia Smith today. Although people did not all agree with the social credit analysis, virtually anybody involved in politics and economics at local and national levels could enter into debate on the subject, being familiar with the basic issues. However, the voices of those who would benefit most from social credit, the unemployed, the low paid, small farmers, artists, the disabled and all women were the least powerful in society. Vested interests in careers and money-making were able to ignore, dismiss and discredit social credit, ensuring that it did not appear upon the mainstream educational curriculum or in serious discussion programmes in the media. As a result, very few people under the age of 80 today have even heard of Douglas and social credit.

78. Why does no major political party endorse social credit?

All political parties in the UK are dependent on financial support from large interest groups, including major corporations, trade unions and so on. These are the very institutions and individuals who stand to lose power over the people under social credit.

79. Would it be possible to pass social credit legislation in the UK?

Yes, at the moment, if enough people campaigned for it. Under EMU, it could be more difficult because of the effective loss of sovereignty. Acceptance of EMU involves the transfer of all democratic authority in the field of monetary policy – and therefore ultimately in the fields of economic and social policy – to commercial bankers.

The relevant section, Chapter 2, Article 107 of the Maastricht Treaty makes this unequivocally clear. It reads:

ARTICLE 107

When exercising the powers and carrying out the tasks conferred upon them by this Treaty and the Statute of the ESCB, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from the Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks.

This requirement of the Treaty, that we must concede to commercial Bankers' ultimate and enduring authority over monetary policy, and its implications for democracy, economic and social policy-making renders resistance to participation in EMU essential for economic democracy to survive.

80. Could bankers and big business still circumvent any legislation passed?

Yes, that is at present what happens all the time. The establishment of a social credit economy would be crucially dependent upon every citizen becoming familiar with the issues involved. The alternative is stark. As the environmental and social foundations of society crumble, there will be many who complain that they did not know there was a problem to worry about, and should have been told. By then it will be too late to rescue the good things of western civilisation.

81. What can I do?

The question is often asked in a rhetorical sense, meaning, "There is nothing *I* personally can do about it. I am too busy, and not clever enough anyway, to work for change. Here's some money. Let me know if you want my vote, but don't ask me to think about it right now." Unfortunately, that is exactly the reason for the continuing deterioration of an economy which virtually all recognise to be in a state of malaise.

It is no good waiting for powerful leaders to bring about social credit. They will never do so because it is not in their interests. On the contrary, it is the ordinary person who carries the potential for change. This has been the case throughout human history. The powerful have fought economic and military wars, bringing destruction, while ordinary people have rebuilt the destroyed cities and towns, and renewed the land. This time, however, humankind is on the brink of global destruction so massive in scale, that timely reform would be preferable to widespread contamination and extinction.

82. So, what is to be done?

Following from Q. 81, it is no good waiting for somebody else to start the ball rolling. If you have read this far, you have probably many more questions to raise. If this is the case, try raising them in the letters column of *The Social Crediter*. Often, though, it is good to discuss new ideas with others locally, in the voluntary organisations of which you are already a member. We hope this booklet will provide a basis for discussion groups.

As Q1. indicates, it is not necessary to wait for political change. Money is society's credit. We all use it every day, both as income earners and as consumers. Close examination of how we earn and spend our money can yield rich rewards in determining how we are spending our life's energy, and how we are affecting the lives of others and the sustainability of the planet as we do so. *Your Money or Your Life: Transforming your relationship with money and achieving financial independence* , by Joe Dominguez and Vicki Robin is a particularly useful guide to lifestyle change. Change will only come about when discussion leads to concrete actions, and local communities claim their own 'social credit'.