DECISIONS ON GLOBAL WARMING HOTTING UP

The recent Hague conference on global warming broke up in disarray at the end of November, with no firm decisions. While there is understandable anger from environmentalists, the truth is that there was never any chance that the divide between economic growth and environmental safeguards could be bridged.

Not while the current debt-system prevails across the planet, at any rate.

With this in mind we are reprinting the following article, taken from *The New Times* earlier in the 'nineties. It is essential reading for those concerned with the environmental degradation and pollution.

FINANCE AND THE ENVIRONMENT

By a Canadian correspondent

In these amazing times when the dominant characteristics of future eras are not discovered through experience but rather decided in advance by anonymous extranational seers, the finance controlled media are billing the 1990s as the decade of environmental concern. We already know that the watchwords of the ten years that lie ahead will be "sustainable development", a phrase that, in a process resembling water torture, will be dripped relentlessly into our consciousness, eroding our power to think independently about ecological matters.

To what end will this campaign for our minds be waged? The implications of the term "sustainable development" provide a complete answer. Humans are such linguistic creatures that they think concepts through the words used to

describe them, and the new slogan for environmentalism comprehends a genuine ideological revolution. It should be obvious that "sustainable development" is a highly complex criterion that subjects the entire economy to a test that only an elite can possibly impose. The old environmentalist word, "conservation", was a sturdily democratic term, conservation being an activity to which everyone can contribute; but how can ordinary people participate in "sustainable" development other than as passive slaves of a panel of purported experts on the subject?

If this concept of sustainability (naive as it may he in a world such as our own, with its innumerable variables) acquires the acceptance planned for it, then the shape of things to come will be plain: dictation of economic initiative will be centralised to a degree never known in the western world outside wartime.

Although the benefits to the environment of such a situation are uncertain, there is no doubting that it will afford the new environmental police and their friends limitless opportunities for self aggrandisement.

GOOD GUYS Vs. BAD GUYS

This objection to the notion of "sustainable development" points up a basic weakness in the position of many so-called environmentalists. They contend that the environment is being excessively exploited and polluted because of

human greed, but in so doing they propound a quite unbelievable "good guys, us - bad guys, them" dichotomy. "Give us power," they say, "and - unlike the profiteering rotters who wield it now - we will use it unselfishly for the common weal."

Even if such pleading is sincere, anyone of elementary political experience knows that accession to power often catalyses today's starry-eyed utopian into tomorrows cynical despot. This is why, as a general principle, one is wise to distrust those who advocate combating evils flowing from existing concentrations of power by means of even greater concentrations of power. Environmental pollution is unquestionably undesirable, but that fact does not mean that the solutions to it proposed by those who make this point most clamorously are sage in proportion to their noise level.

Does, then, the corruptibility in human nature render all attempts at benign reform futile? If the reform is to consist of more central planning and control, it would seem so. However, despite the propaganda emanating from power-seekers of all sorts, from the idealistic to the crassly self-serving, who want power concentrated on principle so that it is more easily captured, other directions for change are possible.

NOTE OF RESPONSIBILITY

On closer consideration, the practice of blaming a few relatively influential individuals for environmental deterioration also seems inappropriate. For example, it is difficult to perceive a fundamental difference between, say, a business owner who sells a "dirty" fuel, coal, as a way of making a living and his employees who help to produce the coal

in order to obtain income. It would be nonsensical to assume that culpability is in proportion to the revenues derived. Double the salaries of the employees: will that make them want less to produce coal? Cause the mine owner to operate at a loss for a few years: will that make him want to produce less coal? The answer in both situations is no. Indeed, the probable effect will be to stimulate both parties to mine more coal and promote its consumption wherever possible.

The point is that both the employer and the employees are involved in a morally questionable activity for precisely the same reason - to get money. In these circumstances, it is hypocritical to criticise only the employer for his part in, for example, aggravating the problem of acid rain.

Of course, if either the employer or the employees believe that what they are producing is harmful then he or they are prostituting themselves to mammon - but they would hardly be unique in our society in that respect.

In so far as environmental degradation is concerned, the web of culpability covers essentially the whole of society, including the environmentalist jetting off to the next conference in atmospheric pollution.

This diffuse responsibility is awkward for environmentalists, since it becomes difficult to target a clear-cut enemy. Also, when virtually the entire community is collaborating in the practices supposedly needing change, the critic of the practices tends to appear like a holier-than-thou snob.

If the person who is willing to foul the earth in order to balance the family budget is not really different

from the one who is willing to foul the earth to balance the company budget, how are we to deal with the environmental problem? Certainly we will not get far by telling them to stop balancing their budgets. On the other hand, if the imperative to balance budgets is vastly greater than it need be, if the preoccupation with money arises largely from artificial pressures in the economy, then there is hope for significant beneficial change.

THE SUPREMACY OF MONEY

At some unknown, but fateful, point in medieval history, a money lender realised that the essence of a viable money system is confidence and that, once this confidence was established, a magical and very remunerative trick could be played.

Typically, the money lenders were possessors of a stock of, say, precious

metals, which they would loan out into the community. They found that, once they gained a reputation for reliability, in lieu of transferring actual gold or silver they could issue a promise to pay backed by the real wealth known to be in their vaults. Their next discovery was that, as long as people believed in the convertibility of the promises to pay, such promises could be issued to a value considerably beyond that of their holdings of precious metals. If, for example, experience taught the money lender that only one tenth of his clients would at any particular time insist on payment in actual coin or bullion, he could safely make loans totalling about ten times the value of his reserves of bullion. Thus was born financial credit and the principle of what we now know as fractional reserve banking, which has both allowed the community to expand the economy with unprecedented rapidity and delivered control over the expansion to the money power.

The important points to grasp are (1) the promises to pay functioned perfectly well even though they were issued on a fraudulent representation of convertibility; (2) the money lender retained discretion to vary the availability of the promises to pay and there was never an exact correspondence between the total value of the promises to pay and the overall monetary needs of the community; (3) the promises to pay purportedly derived their value from the bullion in the money lender's vault but in fact this value came from the actual and potential productivity of the community itself. While the pretence that financial credit is based on precious metals has been abandoned, all these features have survived in modem financial systems, whose function is to create the financial credit of the community.

It should be noted that the money lender's promises to pay circulated from hand to hand in trade as a commodity. Acceptance of the principle that money is a commodity has of course ever since made it impossible to establish a scientific relationship between the true monetary requirements of the economy and the availability of money.

Of course, because money is regarded as a commodity, its proprietors undertake constantly to enhance its value. This is achieved by causing demand for it to be high, which in turn is achieved by keeping it in short supply. Indeed, throughout the entire evolution of the money system, which financiers have essentially been able to guide to suit their own ends, maintaining a chronic shortage of financial credit has been the key to ensuring the money-dealers' dominant position in the economy.

THE FACT OF DEFICIENCY

At first glance it might seem far-fetched to suggest that there is a chronic shortage of money in the economy. In fact, exactly the opposite might be thought to be the case. After all, are we not told constantly that inflation, which is now accepted as a normal condition and which we have ever with us, is caused by excessive availability of credit?

In order for the point about deficiency to make sense, we must have a reference point for normalcy, and to develop this we must be clear on the proper role of the money system. Money occupies such a dominant position in our society generally, ideas are realised when there is money for them and go nowhere when there is none - that we are accustomed to thinking of it as being primordial. However, this is surely a mistaken view, for, without the spiritual and physical capacities in the world, money is nothing. It has no independent existence and, while useful as a tool for releasing spiritual and physical capacities, by its nature it is completely subordinate to them.

From this perspective it follows that the proper role of money is simply to assist people to produce and consume in accordance with their physical and spiritual desires. To the extent that these are not being satisfied for want of money, the money system is failing. Judging by the frustration and poverty of many people, from this point of view the existence of a chronic shortage of money would seem quite likely, although unsatisfied material wants could be, as the socialists contend, at least in part the result of maldistribution of money rather than of an aggregate lack.

However, the deficiency that should be of central interest to environmentalists, because of its economy-distorting influence, is of a different sort. Another undeniable (except perhaps in the bizarre world of economists) principle is that the only sane motive for production is the desire to consume; i.e., to put goods to their end uses. Consumption, as the word itself suggests, is the natural consummation of production. Since in our economy money licenses both production and consumption, it follows that the monetary system ought to function so as to permit consumption of whatever we produce. Unfortunately, however, it does not work that way.

THE MECHANISM OF DEFICIENCY

There are two accountancy cycles in the economy. One is the cycle of loans and reimbursements of loans. The other is the cycle of price build-up and liquidation of prices. The two cycles are related because the loans, constituting the money supply, are the only possible source of the means to liquidate the prices.

The price build-up occurs as costs accumulate in the processes of production, which costs are liquidated when consumers buy the products. Hence, price accumulation is a function of production, while price liquidation is a function of consumption.

The loans are of several sorts - loans to business, to government, and to consumers. Loans to consumers and governments obviously tend to cause a deficiency of buying power because they involve mortgaging the future revenue of the community in order to permit present consumption; i.e., they do not liquidate costs but merely shift the obligation to pay them to a later time.

To understand the deficiency problem that arises through the granting of business loans, which is somewhat more complex, one must comprehend that bank loans constitute additions to the money supply. In other words, the issuing of a bank loan creates credit and the repayment of the loan cancels the credit. This accounts for the variability of the money supply.

Let us say that a company obtains a bank loan in order to expand its plant. The loan will be expended as the plant is assembled, flowing to employees as income and to suppliers of materials as business revenue. Most of the personal income will be spent on current consumption needs and flow from the retailers, through manufacturers with lines of bank credit, to the banking system, while most of the business income will return to the same point even more directly. This reimbursed loan money is then cancelled out of existence, but the costs it allowed to be generated during the building of the plant remain. When these costs are finally registered in the prices of consumer goods, the money needed to liquidate them is no longer available.

If the foregoing explanation elicits scepticism, it is only because people do not know how money comes into being and are accustomed to think of it as pooled rather than particulate. However, every dollar in the community is linked in a chain of debt relationships that leads ultimately to the manufacturers of credit, the banks. Regardless of popular notions on the matter, there is no self generated "free" money floating around to fill the gap left by the premature cancellation of the credit disbursed during the development of the plant.

So where will the money to fill the growing disparity between the cumulative flow of consumer buying power come from? If not from debt assumed by consumers or government, which as we have seen does not liquidate costs, it will be derived from debt assumed for further plant expansion, which again

will distribute purchasing power in advance of expanding the effective cost burden on consumers. But of course this distribution leads directly to a deficiency of consumer buying power in relation to the latest generation of capital costs. As long as capital development is expanding, we can muddle through in dealing with the problem. But making the purchase of today's bread dependent upon the production of tomorrow's jet fighter or office complex is a hare-brained way to run an economy and absolutely a mug's game where environmental considerations come into play.

As long as current methods of financing are practised, there is simply no way the flow of buying power can keep up with the flows of costs and prices; they are perpetually out of sync.

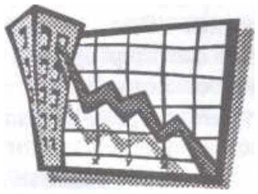
Indeed, the situation is a real catch-22 in that, while the purchasing-power deficiency is aggravated in a capital-intensive economy, the deficiency itself tends to promote an artificially intense concentration on expanding capital.

A final question remains: what if the capital development is financed not directly by means of bank credit but through reinvestment of savings? In this case, money needed for consumption is diverted into capital production, from which it issues again as consumer income. However, while the aggregate volume of consumer purchasing power is not changed in this process, a new set of capital costs is added to the flow of costs pushing up retail prices. Hence, this method of financing also results in a shortage of consumer buying power.

ENVIRONMENTAL IMPLICATIONS

Historically, many communities have continued to exist, often in what their inhabitants considered relative prosperity, in conditions of economic stability over long periods. However, since the development of money economies based on financial credit, the option of stability no longer exists. Nowadays the economic options are, categorically, two: either growth or collapse.

The position is hard to rationalise as being inherently necessary. A community ought to be able to increase, stabilise, or decrease its productivity, as it deems appropriate. Nor should it be particularly



surprising that it might want to choose the latter option: after all, it would make no sense for a community that has been able in a two-year production run to provide every household with a washing machine with a life expectancy of twenty years to keep producing more and more washing machines. Moreover, people have been known to discover that there are worthwhile activities in life other than the constant acquisition of material goods, and a widespread conversion to this belief could conceivably divert enough interest from economic production to cause it to diminish.

Why, then, have we lost the option of stepping off the treadmill of economic production? The answer is simple; because if we do not outrun the vast wave of unextinguishable debt and unpayable financial costs constantly arching over us we will be swamped, and, in the short term, superfluous resource conversion is one of the principal means we presently have of racing against the flood. The picture that emerges from this understanding of the impact of the financial system is of an economy driven largely by financial imperatives rather than by consumer demand for tangible products of the economy, and consequently proliferating unwanted production. The financial pressures tending to make production a goal in itself constitute a powerful incentive to over-use and waste resources. Merely for the sake of distributing income, we must tarantistically churn over the resources of the earth.

The effects of this compulsive economic activity on the environment are tremendous. Thousands of deleterious intrusions on nature are justified on the grounds that they put income in people's pockets. Shoddy quality and built-in obsolescence are winked at because they guarantee rapid replacement of goods and sustained economic busy-ness. Financial strictures encourage companies to cut corners and employ inferior, polluting technology rather than up-to-date, clean productive methods. Production is tallied favourably in government statistics without regard to whether it degrades or debilitates people or is functional or ever actually fills a consumer need. Endemic misdirection of effort subverts ecological morality; the sense of humanity's place in nature is weakened.

To put the position somewhat differently, instances of environmental degradation are largely symptoms of the deeper problem of a persistent shortage of consumer buying power.

Environmentalists routinely denounce exponential economic growth as folly. Unfortunately, without precise understanding of what makes such growth imperative, they cannot suggest anything very practical in the way of alternatives.

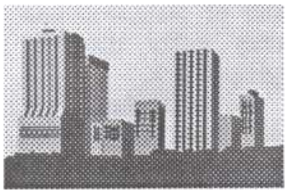
A COMMENT ON EMPLOYMENT

Full employment, one of the silliest concepts ever developed, is of course bound up in the whole sorry mess. It is the complementary principle to centralised control over economic policy by finance, because it implies that people should not be independent but rather coerced into participating in the plans dreamt up by the "more important" members of society.

The purpose of economic activity is to make life more, not less, congenial. A lot of, if not most employment - especially the make-work variety -is fundamentally pointless and degrading. It is psychologically harmful

because the employee sees no worth in his work apart from the income it brings in. A society that professes love of the individual should be striving in every way possible to free its members from doing things they do not choose to do.

Why is the environmentalists' silence about the folly of the policy of full employment a significant failing? At least in part because keeping people employed is tremendously costly, and when it is done merely as a roundabout means of distributing incomes it constitutes sheer waste. Just as many individuals find that much of the income they derive from work ends up being expended in allowing them merely to continue working, so an economy that strives to keep all citizens at work winds up applying vast quantities of resources to that end without net gains in productivity. Office



complexes must be built and maintained to house the "fully employed"; mountains of supplies must be manufactured for them to "work" with; systems for moving them to and from the workplace must be installed; great amounts of fuel must be extracted and refined and transported and burned to get them to and from work and keep them warm once they are there; and so on.

Of course this business of chasing our own tails could be seen as a rich joke on us - were it not that the toll it is exacting on the planet is causing the joke to wear a little thin.

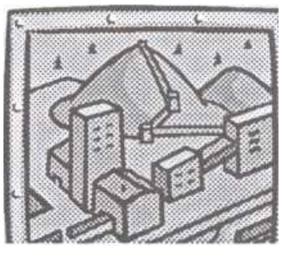
The fixation, resulting from years of brainwashing on the subject by the media and object lessons in the form of economic depressions and recessions that we have on the desirability of creating jobs has blinded us to the fact that deliberate pursuit of "full employment" can lead only to inefficiency. Indeed, the policy has brought us far along this track, to the point where it can be said that, from the standpoint of contributing to the real betterment of society, much, and perhaps most, human effort is pure waste, and another substantial part is purely negative. In the latter category is the plethora of boards and market specialists who contrive to limit the supply of consumer goods.

But never, mark well, of capital goods, because of the utility of their income discussed.

Of course, the greatest waste is of human life. Four hundred years ago Shakespeare could write, without attracting ridicule, of men resembling gods; but it is impossible to think of contemporary people in such sublime terms. There is surely nothing god-like about the grim commuters generated by the current economic system. Locked into the struggle to keep ahead of the financial demands on them, their highest aspirations all carry dollar signs. Full employment suits dull functionaries, not creatures bearing the stamp of divinity.

Even with the thwarting and misdirection of effort everywhere around us and the resultant entropy of human initiative, the achievements of our economy seem dazzling. Yet a system fashioned primarily to encourage and draw on the talents of the citizenry could conceivably be a hundred times more spectacular - not to mention a hundred times happier as well. A society in which people could love what they do for its intrinsic worth and know that their constructive actions will pay real dividends to themselves and others would contain limitless potential, and what now appear to he intractable problems, like environmental pollution, would likely vanish like a bad dream.

However, never having got straight in our minds that the field exists for the flower, not the flower for the field, we continue to wither like cut blooms in a vase.



THE COMMUNITY REACTION

In urging revival of a more natural environment environmentalists have tended to promote two lines of policy, neither of which, because of the pressure-cooker principles on which the economy is run, holds much promise of enduring success.

One involves curtailing activities known to cause environmental deterioration.

Quite understandably, the people who derive their incomes from these activities baulk at such measures. When humans are forced to weigh 'a possibility of long term ecological catastrophe against a certainty of immediate economic disaster, the ecological question inevitably gets short shrift For instance, by now coal-miners are aware that the burning of what they work to bring out of the earth is unhealthy and threatens the well-being of life - possibly, if the doom-sayers are anywhere near right, all life - on earth; but they still want to mine coal. Because of the financial pressures on them as individuals, they feel they have no choice, and they are predictably hostile to environmentalist arguments that they see as tantamount to martyrising of everybody earning his living from the coal industry.

The other policy line pleads for increased efficiency in the use of resources: conservation. But conservation means economic restraint and that means fewer jobs and that means less money in the hands of consumers and that means poor sales and that means business failures and that means even fewer jobs and that means human desperation and that means more willingness to do anything for a buck, and there goes the environment again!

For some environmentalists it is axiomatic that going back to a simpler way of life would ease environmental problems, but in fact there is much evidence that intermediate technology is much harder on resources than advanced technology. Also, the inquiring spirit of humans quite naturally looks ahead, and to thwart it would be to offend the very nature of mankind. Besides, if the financial problem is not fixed beforehand, a policy calculated to produce moderate reductions in living standards could catapult society back into very primitive conditions indeed.

Really, the only sane way to deal with the problems of pollution and spoilation is to remove the incentive for abuse. As has already been discussed, the principle engine of economic waste is the emphasis on production as an end in itself to deal with an inherent defect in the system of income distribution. It follows that correction of this defect would take the pressure off people to build capital that is redundant and that nobody wants in itself. It would allow a rational and balanced assessment of our environmental situation and open the broadest possible range of options for contending with it.

The first step towards economic and environmental regeneration is to increase the flow of income to consumers. Of course, by 'income' is meant real buying power - not recycled debt for which the people are already responsible in their roles as consumers and taxpayers. The banks create billions of dollars daily against the real wealth produced by the population, and the upshot is that the country is wallowing in debt. These same institutions could he instructed to create credit on a debt-free basis and, to equilibrate the flows of production costs and ability to liquidate them, distribute it in the form of dividends payable to all citizens.

In other words, in a responsible and scientific manner, let us make ourselves financially rich. We cannot be richer financially than we are in real terms, but we can be as rich. Indeed, it would be idiotic to be less rich. Well, yes, this does not say much for the quality of the thinking we have applied to the situation to date, but it is not too late to improve it.

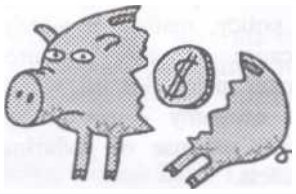
INVISIBLE PROSPERITY

In early creeds, people were admonished to believe not only in visible reality but in the invisible aspects of reality as well. Ironically, the danger today is the exact opposite; people believe in what is insubstantial while being unable to perceive the physical reality surrounding them.

To clarify the point, let us suppose that the flow of financial credit dried up. There is no question that the direct consequence would be that we would all go begging, and large numbers of us would probably end up starving to death. Yet we would travel to this pathetic end through the valley of abundance. Nothing would

have changed in our productive capacity; the fields would still be fertile; the forests would still be growing; the factories and the communications systems and the incarnations of millions of inspired men and women would still be in place, along with the knowledge of how to put them to productive ends. Yet without money all of it might as well not exist. We would suffer total deprivation in the midst of the greatest productive potential ever known by man - probably, because of our belief that money (which nowadays could be nothing more than a minute flow of electrons in a computer) is more real than what it represents, without noticing the absurdity of the situation.

While industrialists warn us that we must win the race for the most advanced technology or fall back into "Third World" conditions, while you fret over keeping your job, while you worry about your business crashing before it has a chance to get properly off the ground, while you pray that inflation will not erode your meagre pension, while you worry about your children's ability to make a go of it in a callously competitive world, the productive potential to give everyone a materially comfortable life almost effortlessly is everywhere



around us. But we do not see it as it is because our attention is fixed on a wretched money system that drives people mad with cares.

Against the wishes of virtually every conscious person, our beautiful earth is being insensitively damaged and polluted, and, in a kind of Reichstag fire manoeuvre, power-hungry persons are using these environmental problems for self-serving political ends. When we trace the causes of the present situation to their source, we find a flawed financial system. We need not destroy the money system - indeed, to do so would be a grave error - but it is crucial that we reform it so it becomes the servant, not the master, of our aspirations.