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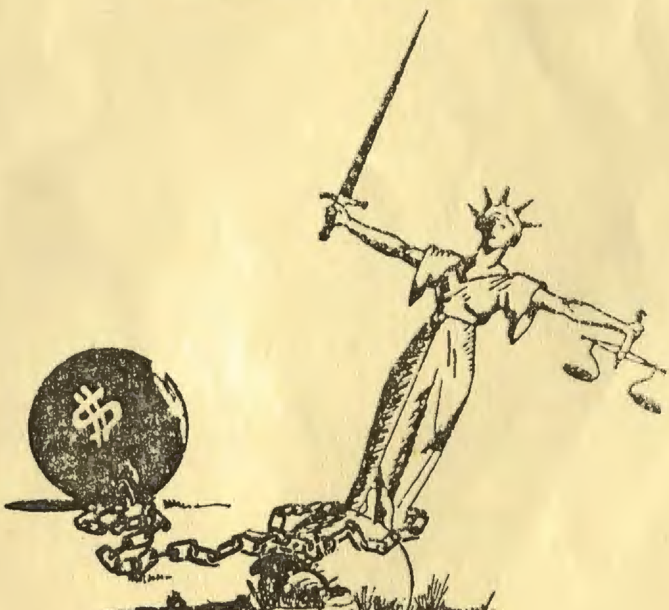
MONEY AND THE MODERN WORLD

A BRIEF SURVEY OF THE REPERCUSSIONS OF USURY ON THE POLITICAL, SOCIAL AND ECONOMIC STRUCTURE OF THE MODERN WORLD



Andrei Krylienko

MONEY AND THE MODERN WORLD

A battered ship, rudderless and leaking at every seam, Western civilization rolls at the mercy of each new wind of change that human folly or diabolic ingenuity can devise.

Shipwreck appears inevitable. Tradition has been discarded, the hierarchy of values reversed. False prophets, either demonstrably ignorant or deliberately misleading, have brainwashed the peoples into accepting husks for grain ; the twentieth century has forsaken the radiant peaks of truth for utopian molehills of science and technology.

The storm rages ; the waves mount high over the masthead ; the Saviour sleeps : He, Whom even the wind and the sea obey.

FOREWORD

Among hundreds of essays, booklets and pamphlets on the money question published in the twentieth century, this booklet by Andrei Krylienko stands out. It is a precise description of the corrupting effects of usury as traditionally held by the three major religions - Judaism, Islam, and particularly Christianity.

Published in 1967, Krylienko's forecast of the effects of prolonged usury on nations, communities, families and individuals has materialised with terrifying accuracy in 1995.

But who was Andrei Krylienko, and whence came he? All attempts to discover his fate, or that of his publishers have failed.

The booklet we have reproduced was published by Resurgam Press, B.P. No 3, 74-Allonzier-la-Caille, France. Inquiries to that address have elicited no reply. We can only assume that Andrei Krylienko and his Publisher are no more.

His message is too enlightened for obscurity, however - hence this 'unauthorised' reproduction.

In only one area do his solutions require amplification. To the second of his "OUTLINES OF REFORM" on page 17 might be added the acknowledgement that the avalanche of technology has rendered income-earning full employment obsolete. Since Krylienko wrote, the computerised robotic army, amplified by the electronic and information explosion, has enabled the "workerless" factory and office to encroach on the pre-industrial puritan work ethic. The "curse of Adam" threatens to disappear. Without amending the traditional means of income distribution, the consequence is deprivation and slavery dwarfing anything in recorded history.

Accordingly, only the realisation that increase comes from God, and that the labour theory of value has been rendered meaningless, will make possible the breakthrough to a Grace or Inheritance economy in which all have access to the world's abundance.

"Beware, lest . . . thou say in thine heart, My power and the might of mine hand hath gotten me this wealth. But thou shalt remember the Lord thy God; for it is He that giveth thee the power to get wealth. . ."

Deuteronomy 8.

Thus, where there is increase a properly accounted money system must allow for a balancing increase, to be distributed without charge to all in the form of a dividend.

Current attempts to thwart the implications of technological abundance by centralised, compulsory "efficiency" are a surrender to the temptation of Christ in the wilderness with worldly power.

Christ's alternative was the offer of a world of abundance, attainable by the Truth which makes men free.

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PREFACE

" . . . tout lucre sans la prestation d'un
"service (est) une usure, parce qu'il est
"aussi indigne d'exploiter les besoins d'un
"autrui que d'abuser de sa confiance "

René de La Tour du Pin

Usury, in its original sense of payment for the use of money or the lending of money at interest, was formerly prohibited by Jewish, Christian and Moslem law. Later, as interest charges became general, the prohibition and the word "usury" itself were restricted to the charging of excessive interest; from this limited meaning the term came in time to be applied to any form of unjustified or extortionate exaction.

In the Middle Ages the prohibiton of usury (still understood as payment for the use of money) was based on the distinction between fungible and fructiferous goods, the use of the former being inseparable from their consumption, unlike that of the latter, which can be instrumental in the production of other goods or services without themselves being consumed. For example, a loaf of bread used for food is a fungible good, but a field on which cows can be grazed or corn grown is a fructiferous form of wealth. While a landlord can legitimately ask rent for the use of a field, it would obviously be absurd for a baker to expect to have the loaves he sells returned to him after they had been used (i.e., eaten). Ownership being implicitly conveyed with the use of fungible goods, to charge for the use of a loaf and ask to have another returned in its place would be the same as to charge twice over for the first when, moreover, it no longer existed. For mediaeval authorities as for Aristotle money was a fungible good because, a medium of exchange worth only what it will buy, it fulfils its function each time it is spent as finally and completely as bread when it is eaten; hence their prohibition of usury.

The transition from mediaeval to modern times was marked by the substitution of the "scientific method" for the traditional, theocentric approach to knowledge. Theology, till then Queen of the Sciences, was dethroned; philosophy was replaced by pragmatism and expediency rather than ethics became the guide to conduct. One consequence of this ideological revolution was a change in the attitude to usury. The traditional position was seriously undermined when the distinction between loans for consumption and loans for production was accepted in justification of interest on the latter, money as well as the labour and capital equipment acquired with it being regarded as a partner in production: in other words, the fungible nature of money was denied. Acceptance of the new, false, doctrine was facilitated by the transformation of the hitherto predominantly rural economy of mediaeval Christendom, subordinated in principle to the preparation of souls for the after-life, into the predominantly commercial and urban economy of modern, post-Christian times, in which moral considerations, such as the question whether economic activities were licit or not, took second place to the pursuit of material gain. Finally, with the triumph of *laissez-faire*, the prohibition of usury became for all practical purposes a dead letter.

Today, usury is taken for granted, explained by economists and, provided it is not "excessive," passed over in silence by most theologians. However, it is not necessary to be an economist or a theologian to see that something is wrong with the present state of affairs. The simultaneous existence of food "surpluses" and hungry mouths, and the seeming impossibility of taking one to the other highlights a grave defect in the monetary system, the economic link between the two.

The rise of modern banking has, indeed, led to a new form of usury: first, the community's money is now nearly all bank money or credit borrowed from banks at interest, not all of which is genuinely earned, and secondly, which is more serious, bank money is created by the banks—as God created the world—out of nothing. The most avaricious of ancient usurers could hardly have dreamed of a situation in which by a stroke of the pen he could have placed the entire community in his debt; yet the banks do precisely this, for every bank credit, in itself only a ledger entry, establishes a title to a share in the communal product bearing the same proportion to the whole of that product as the amount of the credit bears to the total existing exchange media. Apart from the fact that the creation of money should never, for obvious reasons, be left in private hands; let alone exploited for profit, an economy rooted in debt cannot be healthy: judging by the history of ancient Rome and other civilizations that fell or have fallen into the clutches of moneylenders, it is doomed.

In the following pages usury is understood, in the sense of the quotation from the Marquis de La Tour du Pin reproduced above, as comprising not only payment for the use of money but also any other unwarranted gain. The author does not claim originality for his work; he has merely tried to demonstrate, using the arguments and conclusions of authorities on monetary matters, the vital importance of sound money and the catastrophic consequences, in the economic as in every other sphere of human activity, of putting expediency before morals.

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MONEY AND THE MODERN WORLD

I INTRODUCTION

Modern man has turned his back on Christ. In the shadow of this general apostasy, the contemporary clamour for social justice recalls the disputations of the last scholars of Byzantium. As three centuries and more of continuous "reform" culminate in an orgy of planning for the final eradication of human ills, the origin of those ills, namely, disobedience of the Divine Law, is bringing down nemesis on mankind.

In the Free World, the profit motive has been allowed to run riot. Usury, from the shopkeeper's lust for excessive profits to legalized theft at the national level, has become the basis of the economy, permeating almost every branch of human activity with repercussions that have undermined the entire political and social structure of Western civilization. Only the façade of a Christian culture still stands, and even that is in imminent danger of collapse as theologians flirt with heresy and the social and intellectual élite worship at the shrines of Freud and Marx.

The toleration of usury is, of course, only one consequence of the modern apostasy; it is nonetheless a most important one if only because it has permitted the transfer of the prerogative of issue from the executive authority to private hands. The elimination of usury must therefore receive early attention in any attempt to restore normal conditions. If the first need for world recovery is political reform aimed at the promotion of respect for Natural Law and, in particular, for the principle that the people's mandate does not exempt the executive from responsibility to God for its use of its mandated powers, no such reform can be sure of success unless the prerogative of issue is restored to the executive, for the prerogative of issue, or the right to create money, is the key to power.

II. THE MONETARY SYSTEM

If the large element of usury in public and company finance is one of the main causes of the maldistribution of wealth in modern society, the medium through which usury has its most disturbing impact on the economy, and through the economy on the common good, is undoubtedly the monetary system.

The right to make, or coin, money was in earlier times the exclusive prerogative of the Crown, which minted coins in principle worth their face value and spent them into circulation free of charge, leaving them current indefinitely. Today, in the advanced countries over 98 per cent of the money in current use is bank money or credit made at next to no cost (approximately the time it takes to record the amount in a ledger) and intrinsically worthless, yet loaned into circulation at interest and withdrawn from circulation when the loan is repaid. This use of credit as money, originally devised as a means of meeting the monetary requirements of expanding trade, has had a number of revolutionary consequences which have changed the entire order of Western civilization.

The provision of a convenient medium of exchange, one of the chief functions of a monetary system, is an essential service, as necessary to the community as a water supply or a sewage system; the monetary system should therefore, like any other public service, be both efficient and reasonably cheap. The present system is neither, and has the further disadvantage of giving the private persons who control it virtually dictatorial powers over the rest of the community.

Bank credit, the money of a modern community, is brought into being in the form of loans to industry or trade. Bank loans or advances to governments and public bodies can in the present context be regarded as commercial loans, for they are secured on the proceeds of taxation, and taxes are levied on the profits of industry or trade;[1] loans to private individuals are so small a proportion of bank money that for the purposes of the present argument they can be ignored. Bank money is paid into circulation in wages, salaries, profits, dividends, royalties and so on; but wages, salaries, profits, dividends, royalties and so on are the elements comprising the prices of the community's product. Therefore, under stable economic conditions, the flow of money into the hands of those who earn it should ideally be equivalent to the flow of money paid out by the same persons as consumers of the goods and services they produce.

In practice, this balance is unattainable. Since bankers create the money they lend but not the money to pay the interest on their loans, the community at any given moment owes them more

[1]For further comments on public funds, see below, section III.

money than exists at that moment and is therefore never in possession of the exchange media needed for the disposal at remunerative prices of all the goods and services it produces, including those provided by the banks. Since bankers' charges will only in exceptional cases be left unpaid, and since money paid to banks in interest goes out of circulation (except for the limited sums bankers spend out of income or distribute to their staff and share-holders in wages, salaries and dividends) and can only be brought back into circulation through fresh loans creating further monetary shortages, the imbalance in the money/prices equation built into the system is continuously growing.

Thus, in the hypothetical case of a stable economy in which no credits were repaid and no fresh credits issued, but the banks collected interest on their loans at the rate of 5 per cent per annum, at the end of twenty years the community would be without a penny to buy an evening paper. By the same token, every twenty years the banks, in return for supplying the community with money that is intrinsically worthless, relieve the community of real wealth in an amount equal to the average total of their advances throughout the period.

While it is true that when banks buy public funds or other securities on their own account or in open-market operations they pay money into circulation free of interest, the amount of such money in circulation is limited by the banks reserve requirements and will only exceptionally, if ever, be enough to redress the disequilibrium described above, as can be seen from the current liquidity crisis.

In brief, the prevailing monetary system is not only costly, levying interest on practically all the money used by the community, but also inefficient, creating a constantly growing shortage of money.

In addition to the economic deficiencies described in the foregoing paragraphs, the monetary system has structural features that make it incompatible with either good government or a healthy social order.

First, the substitution of credit for coin as the chief exchange medium in current use has in effect transferred the prerogative of issue, or right to coin or supply the community's money, from the community in the person of its legitimate rulers to the banks through their credit monopoly. However, the prerogative of issue, which carries with it control of the economy, is an inherent attribute of sovereignty, on a par with the administration of justice; in the hands of a subordinate sector it can be used to frustrate King, President or Parliament in the exercise of their authority, or even to compel them to serve private interests. Traditionally included among the "regalia" or royal privileges, its transfer to bankers has given these sovereign power over the peoples; that they exercise this power indirectly has the advantage, from their point of view, of freeing them from responsibility to anyone but themselves for the use they make of it, but from the standpoint of the community, it is perhaps the most dangerous feature of the system.

Secondly, since credits extinguished when bank loans are repaid have to be at once replaced by fresh loans, the system gives bankers almost complete day to day control of the flow of investment into industry and trade, including the power to select the activities and often the individuals to whom credit—in other words, economic life—is allowed; furthermore, since, as we have seen above, continuous expansion of production is necessary to prevent the collapse of the system, bankers also decide how far and in what directions the economy shall expand. While bankers may well be the persons most competent to distribute credit, it should also be remembered that under the prevailing system the credits they distribute have no intrinsic value and are only to a very limited extent backed by holdings of real wealth. When a banker opens a credit for a client, he merely makes a book-entry; his client can then draw wealth, not from him but from the community, which lends him a share of the community's product directly proportionate to the fraction the credit represents of the total existing exchange media. The cost of his loan will also be borne, not by the banker but again by the community, for the purchasing power of the currency will, for as long as the credit is outstanding, be diluted (depreciated in terms of goods and services) in inverse proportion to the increase in the total exchange media due to the creation of the credit. Bankers acting in their professional capacity seldom lend anything of their own; their function, apart from creating credit, i.e., book-keeping, is limited to the exercise of professional discernment in the choice of credit-worthy borrowers. Carried out in the best interests of the community this function would be amply rewarded by a fee, commission, salary, or a share in the profits of the concern promoted or assisted, according to the nature of the credit and the conditions under which it was granted, but in no circumstances should it warrant, in addition to fabulous material gains, the concession of virtual economic hegemony.

Finally, since nearly 100 per cent of the exchange media in current use is bank credit, changes in the volume of outstanding credit lead to inversely proportionate changes in the real value of wages, fixed incomes and salaries, which are worth less as prices rise and vice versa. Owing to the inherent instability of the monetary system, such changes are unavoidable; formerly known as the trade cycle and, more recently, as economic recessions and over-heating, they can also be artificially produced or accelerated: cheap money tends to promote prosperity and dear money, to end it. Bankers win on both the swings and the roundabouts of this monetary circus, for the real assets they demand as security for the credits they encourage their clients to borrow in boom periods—during which they earn the corresponding interest, become theirs outright when their clients go bankrupt in the succeeding depression. For the past two and a half centuries, bankers, lending money that is not theirs, nor even deposited with them, have in this way been getting outright possession of an ever larger proportion of the world's capital wealth and income.

III THE SYSTEM AT WORK

The monetary system would undoubtedly have been reformed long ago if its defects had not made it so profitable to the financial sector. In the interest of this sector the general public has been deliberately kept in ignorance of the fact that these defects—in short, the usurious nature of the system—are at the root of the world's economic troubles, and governments have been encouraged to keep the system going by means of more or less devious expedients and palliatives. Such palliatives are government spending, development plans, private investment in capital improvements and hire purchase, all tending to increase for longer or shorter periods the purchasing power of consumers; the control of production and the destruction of "surplus" output, which reduce the supply of consumer goods, and the promotion of exports, which does the one and the other, reducing the supply of consumer goods because the exports are sold abroad and bringing additional currency into the domestic system from the proceeds of their sale.

Government spending on public works or services increases the amount of money spent into circulation with or without immediately increasing the output of consumer goods; consumers' total purchasing power is thus brought nearer the level of the total sales value of consumer production.

The effectiveness of government spending as a palliative varies with the source of the government funds. If the sums spent are subscribed out of savings, they will bring back into circulation money previously withdrawn therefrom but will not alleviate the basic shortage due to the defective monetary system; if they are the proceeds of taxation that would otherwise have been spent on consumer goods, the beneficial effect will be nil; if they are fresh bank credits, they will tend to redress the monetary imbalance for a longer or shorter period according to the way the money is spent.

Public spending can be either directly or indirectly productive, or wasteful. Productive spending of public money—for example, on the development of the economic infrastructure—will ultimately increase the community's output of goods and services; the beneficial effect will therefore, in due course, be lost unless the goods and services become proportionately cheaper. Expenditure on essential services not directly productive—such as armaments—increases the money side of the equation, and the same is true of wasteful expenditure (for instance, on swollen bureacracies or inefficient welfare services); in these cases, the beneficial effect will be the more lasting the less productive the service, although it will always be offset by the inflationary impact of the taxes levied to service the government loans that finance the spending. However, should these loans be repaid the effect will be entirely lost, for the money withdrawn from circulation will be the equivalent of the total lent plus the servicing charges, or more than was initially spent into circulation by the government.

Briefly, public spending alleviates the shortage of exchange media inherent in the monetary system only if the money borrowed to finance it is not repaid. Thanks to the genial invention of the National Debt, the repayment of a substantial and continuously growing amount of public borrowing has so far been unnecessary. First instituted in England by the charter granted to the Bank of England in 1694 and adopted by all modern nations as the standard system of public finance, the National Debt has served the peoples of the world like a sack of seemingly unlimited capacity in which to carry their debts; today, however, the load is becoming so heavy that in some of them it threatens to break the back of the economy and bring the entire monetary structure crashing to the ground.

Company finance in the form of long-term capital investment also serves, like government spending on public works, to bolster up the defective monetary system, for it increases the amount of money brought into circulation without leading to any immediate rise in the output of consumer goods. In the long run, however, since the object of such investment is to increase consumer production, only if it is financed wholly out of savings can it avoid making the monetary position worse than ever;[2]

[2]The confusion that prevails in contemporary thought about money is especially noticeable in connexion with company finance. For example, the words "dividends" and "interest" are often used interchangeably; yet while dividends may and generally do contain an element of usury, they are, or should be, basically either the fee for the hire of capital equipment, or the profits of partnership. Buyers of railway bonds or shares may, for instance, be contributing to the acquisition of rolling stock or the construction of permanent ways, or be providing the company with working capital; in such cases they will be entitled to payment for the hire of machinery or rent for the use of land, or a share in the company's profits (in the last two cases possibly in perpetuity). Where dividends are exclusively returns of this kind, they are wholly legitimate; they are usurious only when the payments received by the holders of the securities exceed the just remuneration for the services rendered through the investment represented by the securities, either because they are larger than is warranted, or because the appropriate amortization arrangements have not been made.

The question of the use and remuneration of money in industry and commerce is far too complex to be discussed in this paper. Every case has to be judged on its merits. On some securities dividends may even give the investor less than his due. On others, such as redeemable

The planned destruction of "surplus" primary commodities and the subsidizing of producers who restrict their output are radical ways of reducing the supply of consumer goods. In a world reputed to be two-thirds hungry, they are also typical of the irrational policies adopted in preference to remedying the defects of the system responsible for the hunger. The mere existence of hunger in a world able to provide comfortably for a population many times its present size points to the flaw in the system, namely, that the monetary mechanism does not fulfil its function, which is precisely to permit the distribution to those in need of them of the food and other goods the community can and ought to produce.

Concurrently with any other methods that may be used to keep the monetary system in operation, the financial sector in a nation will always advocate policies likely to give that nation a favourable balance of external trade because manufacturing for export increases the national wages bill (purchasing power in the hands of consumers) without increasing the quantity of goods offered for sale on the domestic market. It is true that exports often have to be financed by loans to the importing countries and that the latter almost as often default (unless they can borrow more they generally have no alternative), but when this happens the loss is borne by the bondholders, who are only a minority. On the other hand, from the standpoint of the community, manufacturing for export solely to have a favourable balance of trade is diametrically opposed to the common good: the immediate relief to the domestic monetary situation is obtained at the expense not only of the bondholders who lose their capital, but also of the entire community (except the financiers) since a favourable trade balance can only result from a country's refusal to accept goods and services from abroad in exchange for its own: the exports, in short, are given away. Thus, the pursuit of a favourable balance of trade means that international commerce, instead of being an economic exchange of the goods different countries make better or cheaper than the rest, becomes a form of daylight robbery whereby bondholders are mulcted of their savings, and the product of the countries' industrial skills and effort is wasted solely to enable bankers to go on reaping where they have not sown. Last and by no means least, the universal pursuit of favourable foreign trade balances, since it is mathematically impossible for every country to have one

debentures, where the investor is guaranteed against the loss of his capital and does not personally participate in the management or direction of the company to which he has lent it, the interest may be 100 per cent usury.

Current methods of company finance are based on the specious theory that money is productive. Devised to give investors the maximum profit with the minimum of responsibility, they are an outstanding example of the transformation of the economy—largely as a result of the toleration of usurious practices—from an instrument for the satisfaction of human needs into a machine for making money out of money. Capital is invested not for the sake of the goods or services produced with its aid, but for the financial return it brings in.

at the same time, leads to the cut-throat international competition for markets that has been the root cause of most modern wars.

The operation and the defects of the monetary system are revealed with exceptional clarity in time of war. When countries go to war, bankers loosen the purse-strings creating unlimited amounts of credit in the form of war loans, and government expenditure soars to astronomical heights; meanwhile, consumer production is cut to a minimum, industry on a war footing producing mainly armaments. War thus leads to a steep rise in the ratio between the supply of money and that of consumer goods, which is accentuated by the continuous destruction of wealth of all kinds. Since war loans are for the most part subscribed and held by banks, their repayment would withdraw money from circulation, nullifying the benefits of the increased government spending; instead, they are added to the National Debt, serviced by the nation to keep the system going.

The vast expansion of the National Debt consequent on the First and Second World Wars has drawn attention to the anomalies of the prevailing system. If the National Debt is, from the bankers' point of view, the keystone to the monetary structure, from the standpoint of the community the arch it sustains is the gateway to ruin. First, as we have seen in the previous section, although bank money (credit) costs nothing to make, it gives its holder a title to a share of the community's wealth; thus, when banks lend a government money (credit) they have created for the purpose, they are lending the nation wealth that is its own and collecting interest on their loans into the bargain. Like a conjurer, they put the real assets of the nation into a tall hat and pull them out again in the form of debts to banks. This financial legerdemain breaks no law, yet to describe it as usury would be euphemistic. Secondly, since the sole guarantee of the National Debt is the credit of the government, any nation prepared to live within its means could use the same credit to back an issue of the same amount of paper money: the expansion of the exchange media in circulation would be no greater and the nation would be spared the inflationary consequences of servicing the (unnecessary) debt.

When all else fails and money can no longer be spent or lent into circulation fast enough to keep pace with expanding production or economic expansion be slowed down enough to allow the available exchange media to do the work required of them, recessions, regressions or depressions automatically act as a brake on the economy or bring it to a standstill. Bankruptcies reduce the community's indebtedness to the banks and facilitate, through sales of bankrupts' stock, the disposal of the accumulated excess of consumer goods.

In the end, when the slate has been wiped more or less clean, a fresh start can be made, the community being once again a creditworthy borrower.[3]

Through their failure to observe Christian precepts on usury the Western peoples have fallen into the clutches of moneylenders; since moral blindness is always an early consequence of sin, it is not perhaps surprising that they should have been for so long unable to see the error of their ways, or that they should still—even as the end of their rake's progress comes into view—be apparently incapable of mending them.

IV SOCIAL AND POLITICAL CONSEQUENCES

The social and political order is inevitably affected by the monetary system. Whoever creates a nation's money rules that nation and, inversely, without the prerogative of issue no government rules in fact as well as in name. (As the head of a famous bank once said: "Permit me to issue and control a country's money and I do not care who makes its laws.") Kings ruled as well as reigned as long as they coined their subjects' money; with the loss of that right, surreptitiously wrested from them by the banks, they lost their independence, since when their policies and those of the presidents and parliaments that have succeeded them in executive authority have been dictated from the wings by bankers. The revolutionary effects of the change have become clearer with the years. A monarch is by definition a surpreme authority whose function is to administer justice and promote the common good; a banker is a business man out to make a profit. In taking over the royal prerogative of issue, bankers could not be expected to assume as well the responsibilities of kingship: when justice and the common good clash with banking interests they naturally give priority to the latter. Today, the entire economy and indeed the Western way of life has become, as the culmination of a largely unconscious process, geared to the needs of the finance industry, which are manifestly far from coinciding with either justice or the common good.

[3]Stop-go crises—the trade-cycle with clipped wings—typical of the modern economy are unavoidable with a monetary system in permanently unstable equilibrium. Under present conditions, easy credit policies intended to hold off deflation and bring purchasing power level with consumer production automatically raise prices and create a danger of inflation; if the incipient inflation is checked, when the further effects of the earlier period of easy credit are in due course felt in increased supplies of consumer goods, the shortage of purchasing power again becomes acute and deflation is once more a danger. It should be noted that the trade cycle, unknown before the eighteenth century, made its first appearance with the South Sea Bubble, an early consequences of the present monetary system.

In practice, bankers are often compelled by the monetary system itself to encourage industries and policies contrary to the common good or even patently unjust, as we have seen above in analyzing the supposed benefits of a favourable trade balance and the destruction of "surplus" stocks of primary commodities. Similarly, in an economy based on borrowing, and still more so in one that is always potentially insolvent, bankers and their clients understandably like to see bank loans repaid as soon as possible; both therefore favour investments giving large and quick returns, whether the goods produced are necessities or not. In housing, for example, contractors and finance are always easier to find for the construction of luxury flats than for that of modest homes, although the need for the latter is far greater. In agriculture, the desire for higher and quicker profits has led to excessive mechanization to the detriment of sound husbandry, the quality of the food produced and the fertility of the soil; in many places, the ruthless destruction of forests has been the chief cause of climatic changes responsible for serious water shortages. Again, investment being the main channel for the circulation of the fresh money needed in ever-increasing quantities by an economy hamstrung by usury (as a car with a leaky sump is always in need of oil), the supply of credit-worthy borrowers and propositions in the normal way of business is usually short and has to be made up by the commercialization of activties such as art, philately, sport and entertainment, or the undesirable and often pernicious exploitation of the natural love of pleasure. These and other artificially created needs keep the economic machine turning constantly faster, not for the good of the community but solely to enable the banks to lend enough money into circulation to hold off financial collapse.

The difficulties resulting from the above—and many other—anomalies of the modern monetary system are aggravated by the maldistribution of wealth consequent on the usurious features of public and industrial finance. Since the interest on much of the National Debt and many industrial stocks is neither more nor less than a forced tribute from weaker sectors of the nation or industry to a privileged minority, the latter is automatically acquiring an increasingly disproportionate share of the national income, which accounts in part for the constant widening in terms of real wealth of the gap between rich and poor. Nor should the present prosperity enjoyed in the West blind us to the fact that recent economic "miracles" have in reality only shifted the burden borne in the past by the workers in the industrialized countries on to the shoulders of the developing peoples, with as a secondary result the substitution of the danger of revolution within the advanced nations by that of race war throughout the world.

The toleration of usury has, in short, led to the creation of an economic order founded on debt, which makes social justice impossible, and has brought Western civilization to the verge of disaster. Nevertheless, some economists, like believers in perpetual motion, seem confident that collapse can be held off permanently and economic expansion carried far enough—taking the planets in its orbit if necessary—for the majority of all the peoples to enjoy moderate plenty and a privileged few undreamt-of abundance. This heaven on earth is the infinity point where the parallel courses of communism and capitalism (or the glorified pawnbroking that has usurped the name) theoretically meet, although in practice neither will ever reach it because both set out from false premises, the one being contrary to nature and the other having rejected God for Mammon.

This seemingly paradoxical situation can only be understood if modern history, conventionally told in terms of progress towards freedom and universal prosperity, is re-interpreted—more accurately —as the advance of plutocracy. Since the seventeenth century the financial sector has been the decisive factor in the course of world events. Bankers have overtly or covertly supported when they have not instigated all liberal and revolutionary movements from the French Revolution onwards; they have done this not out of any love for liberal democracy as such, but because the modern parliamentary system is the ideal screen for the exercise of power without responsibility. Financial interests can always, through pressure groups or skilful propaganda, make a democratic government toe the line while ostensibly carrying out the will of the people; in this way the peoples are led to accept responsibility for policies foisted on governments by persons or powers whose very existence they generally ignore. On the other hand, in an authoritarian government the ruler, genuinely responsible for his use of the executive power, cannot allow injustice without betraying his trust. Even under "constitutional" monarchies—the only monarchies still tolerated—there is always a chance that a ruler of character will come to the throne and clean out the democratic stables and in the process put the money-changers in their place. That is why the financial sector has been at pains, through its control of information media, to defame every ruler who has attempted to defend the rights of authority, from Charles I to Dr Salazar, and to make popular heroes of left-wing dictators, from Cromwell to Castro, most if not all of whom have been its puppets. History, far from following inevitable winds of change, has for the past three centuries been directed with relative ease by the hot air of demagogic cajolery pumped out by the bellows of organized corruption. Today, communism is at one and the same time the product of the injustices of the prevailing system and a reinsurance (Why else did American and German bankers finance the Bolshevik Revolution, and why else have they repeatedly saved Soviet Russia from economic collapse and more than once from military defeat?), for in the event of economic collapse in the so-called Free World or of another major war, or if the Free World should awake from its lethargy and try to throw off the yoke of socialization being insidiously laid upon it, communism imposed in the name of "popular democracy" would merely represent for the financial sector a change from the veiled exercise of power to open rule by terror. The peoples would then be forced to do what most of them do now without realizing it, namely, serve their real masters, who under communism would acquire control of their persons as absolute as they already have of their wealth.

The widespread demand for social justice would be a more encouraging sign of the times if it were accompanied by the study of root evils such as usury. Capitalism, understood as the right of everyone to own property and put it to profitable use is the most natural and efficient economic system man has yet devised; bankers also have a valuable, indeed indispensable, role as distributors—but not creators—of money or credit. But as long as usury continues to be tolerated, not only is the system vitiated but advocacy of social justice is so much wasted breath. On the other hand, with the eradication of usury the solution of many at present insoluble economic problems would become feasible and the battle for social justice would be half-won.

V OUTLINES OF REFORM

Social justice has become a universal preoccupation. Few, however, appreciate that no programme of social, economic or political reform can hope to be successful or even, I would say, to save Western civilization from moral and material bankruptcy unless it includes the total renovation of the monetary system. The principal measures necessary for successful monetary reform, all of which could be carried out with relative ease given the will to do so, are outlined hereunder:

First and foremost, the prerogative of issue must be restored to the Crown or government, to make the executive authority responsible in fact as well as in name.

Secondly, the amount of money required to keep the economy running smoothly (supply level with demand at stable prices, etc.) must be determined by an independent, permanent expert commission. This money, once created, must remain in being and not, as now, cease to exist whenever credits are repaid to banks. Variations in the amount, according to the size of the national product and other relevant factors, can be made either by withdrawing money from circulation through increased taxation, or by spending money into circulation through government-sponsored public works, or by granting special loans to private enterprise, possibly through the intermediary of banks.

Thirdly, the National Debt and other public debts must be progressively reduced and finally limited to sums borrowed for specified purposes and repayable within set periods. This can be done by redeeming Government stock in return for currency, up to the level of the total amount of money needed by the community as fixed by the permanent commission referred to in the preceding paragraph. As the national product increases, additional money can be provided by calling in more Government stock until the National Debt is reduced to genuinely necessary loans, or extinguished.

Fourthly, banks must be allowed to lend their own and their clients' money but not to create money. They may be permitted to co-operate with the Government and/or private enterprise in launching public or other works, using where necessary government-created money, but without, of course, exceeding the limit set by the above-mentioned permanent commission.

Fifthly, company law must be revised so that, among other things, it will normally be illegal to borrow money without providing for repayment within a stated period.

Sixthly, the entire system of external trade and foreign payments must be overhauled to make it a means of promoting exchanges of goods and services, chiefly of the special products of the different countries, only where these are needed to improve the living conditions of the trading peoples, instead of being as at present a wild chase after often unattainable favourable trade balances in the exclusive interest of the financial sector. The best system would probably be to have floating exchange rates, but the necessary technical measures can be left to experts to devise. (Proposals for a reform of the foreign exchange system based on the creation of an exchange equalization fund are given in ECONOMIC TRIBULATION[4] by the late Vincent C. Vickers, who was a Director of the Bank of England from 1910 to 1919.)

VI CONCLUSION

Although the prohibition of usury must form part of any programme to remedy the economic and social ills of our time, the toleration of usury is, as has already been pointed out, only one aspect of the civilized world's rejection of Christ. Just as usury, one form of the sin of avarice, would never have got its present stranglehold on the economy without a corresponding decline in the virtue of generosity, so, to give no more than two obvious examples, lust and pride, with effects as far-reaching and pernicious in their own way as those of usury, have only attained their present apogee in the absence of the restraining influences of chastity and humility, virtues—like generosity—impossible to cultivate successfully without the aid of Grace obtained though faith. The denial of Christ has, in short, deprived society of the only sure foundation for political, economic and social wellbeing.

Chastity, formerly considered an essential character-forming

[4]OMNI PUBLICATIONS, P.O. BOX 216, Hawthorne, Calif., U.S.A.

aid and generally held to sharpen the intellectual and spiritual powers, is today regarded in many quarters as detrimental to the development of a "full" personality. While it is impossible to assess the spiritual loss or the number of spiritual casualties caused by sexual immorality, general laxity in matters of sex has undoubtedly had a large share in bringing Western culture to its present nadir, and Western man to his present defeatist attitude to the dangers threatening him.

Blinded by pride in his technological achievements to the point, it would seem, of being unaware of the existence of humility, modern man no longer sees that science without spiritual guidance is rapidly bringing his civilization—with its smoke-filled "conurbations," hair-brained planning, abandoned pursuit of pleasure, synthetic and adulterated foods, unhealthy working routines and poisonous patent medicines, not to mention the farce it has made of the once noble art of politics—to the verge of moral and physical suicide.

In discarding piety, twentieth century man has, furthermore, lost sight of the intimate relationship between the faith of the individual or the community and the dispensation of Providence. His own Providence, he plans his existence from birth to death by the light of his intelligence. Unfortunately, planning without taking Providence into account almost invariably proves to be planned disaster. God certainly helps those who help themselves, but He cannot be expected to help those who consistently break His law, and it is difficult to be in business nowadays without breaking it, while in politics it has been accepted practice to do so at least since the time of Machiavelli. Man has thus cut himself off from divine aid just when science, taking the bit between its teeth, has made him more than ever in need of it.

"There's a divinity that shapes our ends
"Rough-hew them how we will."

Through faith we can enter into contact with that divinity and even influence it, but only if we are humble enough to recognize the existence of a supreme spiritual authority and generous enough to be ready to obey that authority, however naive or irksome its injunctions may seem.

If the situation is to be saved at this more than late hour, East, West and the Third World must turn deaf ears to siren songs promising a heaven on earth in five, ten, twenty or a hundred years time. The earthly paradise was lost once and for all when Adam fell. Today, the only hope of obtaining social justice and a fairer distribution of the world's goods lies in the reformation of the existing order, with the aid of science but also and above all in strict conformity with Divine and Natural Law.

APPENDIX

Many of the developing countries' difficulties must also be attributed to the prevailing monetary system. Most of these countries are economically dependent on a single primary commodity or group of commodities and therefore in a weak competitive position in international markets. Since the present monetary system keeps the world permanently short of the purchasing power needed for the disposal of all it produces, in the general scramble for the limited purchasing power available the weaker sectors inevitably come off worst, and today the weakest sector of all is the Third World. Furthermore, most of the developing countries when they turn for help to international finance get stones for bread: foreign loans worsen their economic position and, to boot, place their newly won independence in the hands of the same money power.

At the same time, since many of the developing countries, particularly in Africa, are still relative strangers to "civilized comfort," they could if they wished, or were obliged to do so, dispense with foreign aid without substantially lowering the standard of living of the majority of their people. Given the necessary courage and determination, it would be relatively simple for them even now, instead of letting themselves be dazzled by Western standards of living, to manage their affairs on good-housekeeping lines and hasten forward to prosperity slowly, working their way to genuine independence without loss of freedom or dignity. (The history of the Latin American republics during the past 150 years is an example of the consequences of following the alternative course.) To those who fear that under modern conditions the assistance of the international money power is indispensable, the best answer lies in the prompt success of previous experiments in monetary reform, some of which are described hereunder.[5]

GOSABA 1903

Gosaba, an island in the Indian Ocean off the coast of Bengal, was leased from the Indian Government by Sir Daniel Hamilton, a businessman from Calcutta. The island, described as looking like part of another world, was uninhabited and usually submerged at high tide.

Sir Daniel brought labour from the mainland to build dykes to keep out the sea, and a plant to distil sea-water for drinking. He issued notes of his own which promised to pay the bearer 1 rupee's worth of rice, cloth, oil or other goods. The labourers accepted these notes as wages and the island began to flourish. Villages were built, each with its school, and eventually Gosaba had a population of 12,000.

[5]The rest of this Appendix contains data summarized from "MONEY: THE DECISIVE FACTOR" by Allhusen and Holloway and "THE GUERNSEY EXPERIMENT—'ISLAND OF COMMON SENSE'" by Olive and Jan Grubiak (OMNI PUBLICATIONS, P.O. Box 216, Hawthorne, Calif., 90250, U.S.A.).

This was certainly a remarkable achievement for a desert island. Moreover, Gosaba was unique among Indian agricultural communities in that nobody owed a single rupee to moneylenders.

BAVARIA 1931

The coal mine at Swanenkirchen had closed down and the district was a distressed area. A mining engineer called Hebecker bought the mine out of bankruptcy but found he would need 40,000 Reichsmarks to start operations again. The banks offered him a loan at 5 per cent interest, but Hebecker had other plans.

He was a disciple of a monetary reformer—Silvio Gesell—whose followers had formed an association and issued their own money, which, needless to say, they used only among themselves.

They called this private money Wara, and Hebecker borrowed 40,000 Wara notes from them and offered to employ any miner who would accept them as wages. At the same time he opened a shop in which they could spend them. Thus the Wara derived their value directly from the goods in his shop. He had to pay for these in Reichsmarks, but as his coal was also paid for in Reichsmarks, this was no difficulty. The unemployed miners welcomed a chance to start work again, and all went well.

The miners' wages had been the principal source of income in Swanenkirchen, and when the shopkeepers saw that they were all finding their way to Hebecker's shop, they decided the only way to get their customers back was to accept payment in Wara. They brought pressure to bear on the wholesalers to do so too, and they in turn prevailed upon the merchants who supplied them; soon everyone in that corner of Bavaria was buying and selling in Wara.

Swanenkirchen became prosperous: there was no unemployment, commodities were obtainable, debts were paid. Other villages saw this and wanted to share in the new prosperity. Even some banks agreed to accept Wara. But the Reichsbank frowned. . . The German Government surrendered to the Reichsbank and in November, 1931, Wara was made illegal.

AUSTRIA 1931

The sensational success of Wara made a deep impression on the Austrian side of the border and in December the Mayor of Worgl decided to follow the example set by Swanenkirchen.

There was a great deal of unemployment and general distress, taxes were in arrears, and the streets and public buildings neglected. The Mayor formed a committee consisting of himself, the priest, the Town Treasurer and the Commander of the garrison to put the new money into circulation. They called it Notgeld.

They started work on a new Town Hall and a bridge over the river, both of which they paid for in Notgeld. The Treasurer agreed to accept Notgeld in payment of taxes and used it to pay municipal creditors.

At the end of the first year the town was transformed: 100,000 schillings had been spent on public works, and there was even a new ski-run. Everyone seems to have been happy except the banks. In January, 1933, the Austrian National Bank sued the Mayor and Corporation for infringing its right to be the sole issuers of bank notes. The bank won and the Notgeld was withdrawn.

GUERNSEY 1815

No roads, danger from the sea threatening to overflow large tracts of land, little or no trade, little or no disposable revenue, no prospect of employment for the poor.

The suggestion was put forward that the States should take advantage of their ancient prerogative and print their own notes to finance various projects to remedy the situation. The Finance Committee reported that £5,000 was wanted for roads, while they had only £1,000 on hand. It was agreed to raise the remaining £4,000 by the issue of State £1 notes. This was done and the result was so successful that it was followed by further creations of State money. In 1819 the market, and in 1826 Elizabeth College and some parochial schools were rebuilt. Other projects, including the widening of the streets of St. Peter Port; the reconstruction of some of its buildings, new roads and public works of many kinds, were financed in this way over a period of twenty years. In 1827, the Bailiff, Daniel de Lisle Brock, said that "To bring about the improvements which are to the joy, the health, and the well-being of the inhabitants, the States have issued notes amounting to £55,000."

In 1830, however, the banks launched a counter-attack and began to flood the island with their own notes. A compromise was arranged, and the States agreed to limit their note issue to £40,000.

From 1836 to 1914, the position remained unchanged. Then with the demand for an increase in the supply of money, the Royal Court passed an Ordinance making the States notes and those issued by the banks legal tender, but prohibiting the banks from increasing their note issue; all additional notes were issued by the States, to a total, after the First World War, of £200,000.

The States notes were issued free of interest, and it is significant that the Great Depression never troubled Guernsey; there was no unemployment (nor inflation), and income tax was 10d. in the £. The States notes are still circulating alongside Bank of England notes, and Guernsey is the recognised retreat for people who wish to pay as little income tax as possible.

MASSACHUSETTS 1991

The following is reproduced from the *International Herald Tribune* of May 21, 1991, as a recent example of innovative monetary initiative:

Only the Real Money is Tight

Local Currencies keep Massachusetts Community Going

by Michael Specter, Washington Post Service

GREAT BARRINGTON, Massachusetts - When the lease for his popular restaurant expired last year, Frank Tortoriello asked the nearest bank to lend him enough money to move across Main Street.

He was told to forget it. Dejected, but not alarmed, he turned to other banks in this close-knit Berkshire community. Same story.

People agreed that it was a shame, but in the midst of the depression sweeping the hills of western Massachusetts, few lenders could afford to be generous. So Mr. Tortoriello decided that, if banks would not give him the money he needed, he would print his own.

Almost overnight, the Berkshire Hills area had a new currency named after his restaurant, Deli Dollars, which Mr. Tortoriello sold to his customers to raise enough cash to renovate his new location. Each note sold for $9 and could buy $10 worth of food, as long as customers waited at least six months to redeem it. The notes were essentially a short-term loan to the seller.

"I put 500 notes on sale, and they went in a flash," Mr. Tortoriello said in his new establishment, still amazed at how well it worked. "Deli Dollars turned up all over town. It was astonishing."

What at first seemeed a novelty quickly flowered into a community movement. Born of a strange blend of financial desperation, civic activism and Yankee ingenuity, a flood of alternative currency was unleashed throughout the Berkshires by businesses in need of loans. With the vacation industry moribund and bankers treating the region as if it were the Bermuda Triangle, many enterprises had nowhere else to turn.

Economists and federal officials are beginning to talk about the U.S. recession having hit bottom. Not in this state. In the first three months of 1991, Massachusetts reported record numbers of business failures.

According to U.S. Bankruptcy Court in Boston, more than 3,400 bankruptcies have been filed in the state since Jan. 1, nearly a 75 percent increase over the same period a year ago. In 1990, more than 10,000 businesses failed, nearly double the number for 1989. Unemployment increases have been staggering, with Massachusetts losing 147,000 jobs, or nearly 5 percent of its total, between March 1990 and March 1991.

"This is not a liberal time for us with loans," said Eugene Hannon, vice president of the Great Barrington Savings Bank and a Chamber of Commerce leader. "Things have just been slow. Vacation money has dried up. We have to be far more prudent than we would really like to be."

So there has never been a more fertile time to look for a new way to pay for things here. Suddenly, rather than finding Federal Reserve notes in every cash drawer, Great Barrington has become awash in Berkshire Farm Preserve Notes. Instead of "In God We Trust" they say "In Farms We Trust". Instead of the head of a president, they portray the head of a cabbage.

Dan and Martha Tawczynksi of Taft Farm said they could not have survived last winter safely had they not sold $5,000 worth of Berkshire Farm Notes. Donald and Ruth Ziegler, whose farm, the Corn Crib, was nearly wiped out by fire in 1989, said the same.

New restaurants such as Kintaro in Great Barrington have issued currency to attract skittish customers. Several shops are considering the idea and so is a new goat-cheese farm. When Deli Dollars showed up everywhere from the bookstore to the collection plate at the First Congregational Church, whose pastor was a lunch regular at The Deli, residents got a surprisingly vivid lesson in the economics of trust.

"This is a low-cost way to finance a local business," said Susan Witt, a founder of Self Help Association for a Regional Economy or SHARE, and a key force behind the idea of floating local currency in the Berkshires.

"These days, a lot of banks won't touch some of these small loans," she said. "They just don't have the money to do it. But if the community is committed to a place, it ought to be able to invest in its future by promising to shop there. The plan also helps us keep our money in our community."

Radical as it seems, the idea of issuing local currency is hardly new. Not until 1913 did a central banking system arise out of the Federal Reserve Act. Americans have created local currencies based on everything from lumber to land. As long as a currency can be exchanged for U.S. dollars and transactions can be taxed, the federal government has no official restrictions on local scrip.

Taft Farm and the Corn Crib recently merged their currencies. Customers can purchase notes at either place and spend them at the other. At the end of the year, owners of the two farms determine which took in more scrip.

"Last year, out of more than $8,000 of Farm Notes issued, the Corn Crib ended up with about $70 more than their share," Ms. Witt said.

"I was hoping the Taft folks would figure out a way to deal with it that didn't involve dollars. In the end, I think, they asked for a winter's worth of potatoes. Nobody ever considered trading dollars."

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