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# **Social Credit— the Only New Order**

*By*

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*The Social Credit Proposals for the post-war world are in refreshing contrast to the schemes of dead level security which have been put forward.*

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# Social Credit's New Order

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By WILLIAM STONES

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## *What New Order?*

Out of the conditions of evil, frustration and fear left by the first great war, the world depression and the present war, have arisen almost universal demands for a New Order.

These have assumed many forms and aim at various goals but they all spring from a common soil of discontent with things as they are and seek some means of altering them.

Most of us have our own individual conceptions of a New Order and this depends on what kind of an Order we want. It is all a question of ideals and these are determined by such factors as attitude of mind, social environment, inherited traditions and, shall we say, our emotional response to propaganda.

If we have an attitude of mind that welcomes authority, we lean to Fascism.

If our social environment gives us a class-complex, we look to Socialism.

If we inherit a tradition of individuality, we favour Democracy.

If our ideal is freedom and security, we want a New Economic Order.

If our chief values are moral and spiritual, we depend on a universal change of heart.

If we have no stable mental anchorage we subscribe to any New Order whose propaganda appeals to our emotions.

This country has all these types, and amongst them there is no common agreement as to what is wrong with the world, and therefore no common remedy.

Judging by world experience the New Order that will come will be one that has the main forces of propaganda at its disposal, and unless we have an educated democracy it is most probable that the masses will be betrayed.

We have to remember that a New Order does not necessarily mean a *Better* Order. The Totalitarian New Orders of Italy, Germany and Japan are things of evil, and it is our bounden duty to destroy them.

## ***Capitalism and Socialism Not Good Enough.***

In the democracies there are two streams of tendency, two main schools of thought and action in the political and social sphere. They have fundamentally conflicting ideologies and each professes to see nothing but evil in the other.

One stands for the perpetuation and intensification of the existing system of Capitalism and is represented by the movement for Federal Union. The other stands for Socialism based on the experiment of the Russian Soviets.

Both are new orders, not for the better but for the worse, because, in the last analysis, both are tyrannies.

"Federal Union" is a proposal for the union of all

democracies in which each nation so joining would surrender its sovereignty, citizenship, currency, tariffs and defence forces to a central and overriding authority, with a central parliament or congress controlling these vital departments through a small executive.

Congress would be elected on a population basis, which would give America complete control, and the policy would embrace international free trade, an international currency based on the gold hoard in U.S.A., but with credit creation and control in private hands, and an international defence force controlling the world of disarmed nations.

We would be blind indeed if we failed to recognise this as a deliberate attempt to put the world under the power of international finance with its headquarters in Wall Street.

Even to-day, without the added powers that the Federal Union of Democracies would give, the linked forces of Industrial Capitalism, with its control over the means of production, and Financial Capitalism, with its control over Money and Credit, are able to keep the world in economic bondage and dominate the governments and peoples of all countries. Directly or indirectly they are almost completely responsible for the economic chaos and the great tragedies of war.

Under Finance Capitalism there can be no economic security, and without security there can be no real freedom. The world depression was a complete proof of this.

In the United States—that country held up as a shining model for the economic and political union of the democracies—there were about twelve million men unemployed during the depression there and forty million on the verge of starvation.

For more than twenty years in England—the financial heart of the world—there were more than two millions permanently out of work, "human scrap," and twenty millions on or below the economic breadline.

Australia—slavishly devoted to "Sound Finance"—with a million square miles of the richest land on earth

and a population of less than seven millions, had scores of thousands looking for work and a million on the dole.

As compensation, the victims of this system had an added freedom—the freedom to starve in the midst of plenty.

The New Order of Federal Union aims at the complete entrenchment of Finance Capitalism and the suppression of freedom under a tyranny of financial and economic compulsion. It is just as dangerous as Hitlerism.

But this condemnation should not blind us to the virtues of Capitalism. No system could survive and thrive as it has done without outstanding merits. Even Karl Marx, the High Priest of Socialism, paid tribute to the mighty productive force of Capitalism.

We must never forget that Capitalism has given free reign to private enterprise and removed the shackles from personal initiative and ambition. It has produced diversity of powers and set standards of accomplishment that have given a new meaning and a new tempo to human progress.

All the great practical applications of science and invention that have made an age of abundance possible are, in a great measure, due to the driving incentive for individuals under the Capitalist system.

## ***What Socialism Really Means.***

On the other hand Socialism can see no virtue in Capitalism. It sees only the inequalities and injustices that exist under it, the great wealth of the few and the grinding poverty of the many.

Labour, using the resources of nature, says the Socialist, creates all values and all wealth, but is robbed of the values it creates by the Capitalist who controls the means of Production. Therefore Capitalism is merely exploitation.

The Socialist solution is to abolish the Capitalist, give the State a complete monopoly of the means of production, make work compulsory, with the State as the only employer, and produce for use and not for profit.

The wonderful morale, courage and fighting power of the Russian people in the recent great crisis of their history are inclining many people to think that the Socialism of the Soviets is the only solution and that the organisation of Australia for total war should be the first steps to complete State control in this country.

Nothing could be more dangerous. Socialism, like Capitalism, is a tyranny. It can function only by complete regimentation of the people so that they become cogs in a State machine. Socialism means suppression of initiative and individual self-development.

It means rule by bureaucracy and red tape, of which we are getting more than sufficient to-day.

We are being ruled by regulations and not by law. Everywhere there are hordes of officials on boards and controls that are more and more restricting our personal liberties.

It is difficult to imagine a people with a tradition of freedom ever accepting such a system as a solution. Systems are made for men, not men for systems, and the fundamental freedoms are as impossible under Socialism as under Capitalism.

Having said this let us also recognise the virtues of Socialism. Socialism gives greater economic security than Capitalism, and this is a very good thing. It does away with class distinctions based on Money and promotes a finer feeling of brotherhood.

But it will not give us a nation of distinct individuals, which should be the aim of all social systems, and it will not give us personal freedom, and no other virtues will compensate for that.

There is good and evil in Socialism and Capitalism and in every system almost. The ideal New Order should utilise the good and discard the evil from all. It must avoid the falsehood of extremes.

## ***The Four Fundamental Freedoms.***

We come now to what may be called the Democratic New Order. Some time ago President Roosevelt broadcast what he considered were the Four Fundamental Freedoms on which a New Order must be built after the war.

In conjunction with Mr. Churchill he elaborated these later into the Atlantic Charter and this has been adopted idealistically as a general basis for a new order in the allied democracies.

The Four Fundamental Freedoms are:—

1. *Freedom of Speech—everywhere in the world.*
2. *Freedom of Worship—everywhere in the world.*
3. *Freedom from Want—everywhere in the world.*
4. *Freedom from Fear—everywhere in the world.*

Roosevelt stresses the universality of these Freedoms. *They are for everyone, everywhere in the world.* They imply the common brotherhood of man.

These Four Freedoms fall naturally into two divisions. Freedom of Speech and Freedom of Worship connote the free play of the spirit. Their bases are intellectual and spiritual. Being "the eternal spirit of the chainless mind," they form the essence of all Freedom.

Freedom from Want and Freedom from Fear connote the conditions that make all Freedoms possible. Their bases are material and economic and they form the essence of all security.

These two divisions again fall naturally into one Unity so that the Four Fundamental Freedoms stand for Freedom and Security or, as Social Crediters prefer to put it—*Freedom in Security.*

## ***New Orders in History.***

In the Four Fundamental Freedoms Roosevelt has crystallised the ideals, not only of the present but the past. If we glance through the long pages of history we will see that the demand for a New Order is not some-

thing that belongs specially to the present day.

In all ages of recorded time there has been a struggle between the powers of light and the powers of darkness.

The fight between the will to power and the will to freedom is the history of civilisation and every great New Order of the past was a demand for a change from the outstanding evil of the time.

Christianity was a demand for a new moral and spiritual order.

The Reformation was a demand for a new Religious order.

The French Revolution was a demand for a new social order.

The Declaration of Independence was a demand for a new democratic order.

The Chartist Movement was a demand for a new industrial and political order.

The outstanding demand to-day is for a new financial and economic order.

We have to go back more than 2000 years to find the finest and most comprehensive ideal of a New Order ever conceived. It is that of the prophet Micah, one of the great visionaries in which the Jewish people were so rich. This was his prophecy:

*"They shall beat their swords into ploughshares and their spears into pruning hooks; nation shall not rise against nation, neither shall they learn war any more. But they shall sit, every man under his vine and under his fig tree and none shall make them afraid."*

There can be no finer vision of a New Order than this—an Order where there will be Peace, Freedom, Independence, Security, and where none shall be afraid.

## ***The Motive of Security.***

The basis of this vision is Security. Without Security no Freedom is possible. Consciously or unconsciously, all reformers have felt this and it is implicit in every demand for a New Order.

Till we examine it, we do not realise how much the struggle for *Security* is written into the history of mankind.

It is the key to all evolution. The law of the jungle, the survival of the fittest, the adaptation to environment, the growth of mutual aid or co-operation—in fact, every step forward from barbarism to civilisation reflects the struggle for security.

The union of individuals into families, of families into tribes, of tribes into peoples, of peoples into nations, of nations into leagues of nations, had one compelling motive—*security*.

The idea behind our laws of property, the tenure of land, the rights of tenancy, the sanctity of contract, all the things that derive from Magna Charta, Habeas Corpus and the Bill of Rights, are based on Security.

In our community life we have lodges, benefit and building societies, insurance companies; we provide pensions, superannuation, child endowment, farmers' relief, moratoria and scores of other things to give security in some form or other.

In our national life we erect tariffs; we support armies and navies and air-forces. We arrange pacts and treaties and offensive and defensive alliances—all for the security of our country.

The magnificent objective embodied in the Declaration of Independence—"the right to life, liberty and the pursuit of happiness"—is but a splendid elaboration of the right to security.

Even religion is primarily concerned with establishing a state of mind and heart that will ensure security, if not in this world, at least in the next.

*And above, beyond and comprehending all is the striving for the Freedoms from Want and Fear—that is, for Economic Security. This is the main objective of individual and national effort everywhere, the most important factor in all policy to-day.*

*Yet in spite of this universal striving for Security*

*there is no real security anywhere. Want is the lot of millions and the world is hag-ridden with fear.*

*The complete failure of man to accomplish an objective that he sees and is striving to reach is conclusive proof that the policy of achieving it is basically wrong and that he is travelling along a road that will never take him to his desired destination.*

*The recognition of this failure is the inspiration of the Atlantic Charter. To find its cause and eliminate it is the major problem of the world.*

## ***The Four Freedoms and Social Credit.***

Social Crediters subscribe entirely to the Four Fundamental Freedoms because they embody the ideals they have been fighting for during the past 20 years.

But it is not sufficient to merely state them. The task is to find out and do away with the conditions that prevent them from operating and to establish those conditions where they can flourish and expand.

Long before Roosevelt was President of America C. H. Douglas was asked what was he trying to get by Social Credit and this was his answer:

*"We are endeavouring to bring to birth a New Civilisation. We are doing something that really extends far beyond the confines of a change in the existing financial system. We are hoping, by various means, chiefly financial, to enable the human community to step out of one type of civilisation into another type of civilisation, and the first and basic requirement, as we see it, of that, is absolute economic security."*

This answer of C. H. Douglas states in three logical sequences the Social Credit concept of a New Order:

1. It sets an objective—a New Civilisation.

2. It provides a means—financial adjustments.
3. It states the first and basic requirement—*economic security*.

Let us ask ourselves what we mean by this "economic security" that is basic to the Social Credit conception.

We can answer in this way: If we have at all times the means to obtain adequate food, clothing, shelter and the amenities of life, provided they are available, and have at all times freedom from the fear that these will be taken away from us, either by the menace of external force or the threat of internal depression or unemployment, then we have absolute economic security.

In this Douglas and Roosevelt are in agreement. They are in further agreement that we have not these things to-day. Their demands for a New Order are a recognition by both of the failure of the Old.

Though Douglas rightly stresses Economic Security as the basic requirement he realises that this is not sufficient to complete the ideal of Social Credit. He says:

"If any condition can be shown to be oppressive to the individual no appeal to its desirability in the interests of external organisation can be considered in extenuation; and while co-operation is the note of the coming age it must be the co-operation of reasoned assent, not regimentation in the interests of any system, however superficially attractive. Systems were made for men and not men for systems and the interest of man, which is self-development, is above all systems, whether theological, political or economic."

Therefore the Social Credit ideal embraces Freedom as well. Security in itself is not sufficient. Freedom in itself is not sufficient. We must have both together, one and indivisible, in any worthwhile New Order.

They have never been one in any part of the world, and the task of post-war reconstruction is to ensure this unity. Apart from Social Credit, there is no New Order that provides for it.

## ***The Powers Behind Roosevelt.***

Compared with the analytical and constructive realism of Douglas, President Roosevelt's ideal of a New World Order is mere cloudy aspiration and wishful thinking.

The President gives no suggestion as to how his ideals are to be realised: no indication why we do not possess the four fundamental freedoms; no statement of the *causes* of want and fear; no lead or guidance to their solution.

Behind Franklin D. Roosevelt we see the real controllers of policy and we know that the last word lies with them.

The President's advisers are men like Bernard Baruch, Harriman, Marriner Eccles, Harry Hopkins and others—all of the inner circle of finance and all allied to the sponsors of that diametrically opposed New Order—the Federal Union of Democracies.

It is not difficult to detect these policies of control. All over the democracies orthodox bankers and economists are preparing the people to accept, not the freedoms from want and fear, but a dead level standard of subsistence.

In U.S.A. Wall Street bankers are organising an International Finance Corporation to control markets after the war and to establish a currency based on the gold hoarded in America for the purpose.

Suggestions have already been made that the industries built up in Australia and New Zealand during the war shall be drastically restricted after the war in favour of the industries in Britain and America.

In every allied democracy the financial experts and economists who dictated policies in the depression and before the war are still in power as the advisers of governments. The policies of these men caused the greatest depression ever known and was responsible to a great extent for the present war.

We cannot see the slightest indication anywhere that these men intend to change their policies no matter what happens to the world.

If we look at their records and the institutions they represent we need childlike credulity to imagine they will help to establish any new order based on economic security.

When Henry Ford put out his famous new model he agreed that every buyer could have the colour he wanted provided it was *black*.

We can be perfectly sure that the financial controllers of the world will give us any new order we like provided it is *their* order.

Well may we repeat the question of Demosthenes — "*Can a policy that has led us from success to failure lead us from failure to success?*"

## ***Causes of Economic Insecurity.***

There is nothing vague about the argument for a New Civilisation visualised by Douglas.

He starts from the accepted proposition that the failure of the present system to give economic security is the main trouble of the world.

By a scientific analysis he finds the causes of this and then formulates broad principles of reconstruction by which they can be removed and security made possible.

His analysis shows that the causes of economic insecurity are entirely financial. They are due to lack of power to buy, not to lack of power or will to produce.

Production has reached the stage, through science and invention, where all the economic needs of the world can be fully met. Man has at last reached his age-long goal of Abundance and Scarcity has been conquered.

This Abundance was very manifest in the great depression period, and the fact of widespread want accompanying it was the anti-climax of our civilisation.

The only reason why this abundance, that would have given freedom from want and fear, was not made

fully available was due to the breakdown of Distribution.

The medium of Distribution is *Money* and the breakdown was due primarily to the working of the financial system and secondarily to financial policy. We must, therefore, look for the cause of the trouble in the system that creates and controls Money—it is futile to look anywhere else.

## ***The True Purpose of an Economic System.***

To understand the failure in Distribution—I now speak in a pre-war sense—we must grasp the true purpose of an Economic System.

The orthodox idea is that its purpose is to make work and yield profits with the accent on the “profits.” This idea is entirely coloured by money and is comparatively false.

The Socialist idea is that the purpose of an economic system is to create goods and make work, with the accent on the “work.” This idea is coloured by the belief that work creates all wealth—a belief that is also comparatively false. The emphasis in both cases is wrong.

*The true purpose of an economic system is to produce and deliver goods and services to the limit of productive capacity or the limit of consumer demand, whichever occurs first. Profit and work are secondary considerations.*

Over-emphasis on the profit motive in Industry has created false and dangerous standards in our social and economic life. Wealth is the measure of success and Money is the god most people worship.

Instead of serving humanity, economic activity exists to serve a financial objective and the claims of money now override all other claims and all other rights.

These false standards have frustrated the true purpose of an economic system and made money the master instead of the servant of mankind.

Ethically this is quite wrong because it makes money an *end* and not a *means*, and deliberately ignores human values.

It is equally wrong from a practical point of view. The facts of economic want and fear in a modern world prove that the financial method of distribution now operating is ineffective and must be scrapped.

## *How the Present System Works.*

We live to-day in a Monetary Economy and, unless we intend to return to the primitive age of barter, shall continue to do so. The Money and Credit of a Monetary Economy are the most effective mechanisms ever devised for transacting the business of the country. We have no wish to change what they *are* but what they *do*.

In a primitive age a man was a self-contained unit. As far as a time of great scarcity would permit he could provide his own food, clothing and shelter. He cannot do this to-day.

Industry is so diversified, so specialised, so organised, that no man can be self-supporting. Society has so developed through the years that all the products of industry are now placed in a common pool called the "Market" and the individuals of the community have to draw their requirements from it.

For this you must have a licence to draw and the only licence or claim that is valid is *money*. If you have no money you have no claim—you cannot buy.

If you cannot buy you are denied the means of life. *You have no economic security.*

In the simplest language, economic security means the possession of sufficient money at all times to buy food, clothing, shelter and the amenities of life.

*Freedom from Want and Freedom from Fear—the first and basic requirements of a New Order—resolve themselves into the one essential—an adequate money income at all times for all persons everywhere.*

This essential does not exist. It never has existed. Why? The answer is quite simple. The possession of a money income depends on employment for 90 per cent. of the people.

## ***Work Should not be the only Title to Life.***

If you are in work you have economic security by reason of your wages.

If you are out of work you have no wages and, therefore, no economic security. Under the present system the right to live depends on money and the right to money depends on work.

The controllers of money insist on this proposition as fundamental and they are supported by nearly all politicians and economists, orthodox and socialist alike.

This proposition implies a tyranny of control and compulsion imposed from above—the compulsion of economic necessity. The principles and philosophy of Social Credit reject such a proposition.

Douglas says:—

“Economic activity is simply a functional activity of men and women in the world. The end of man, while unknown, is something to which most rapid progress is made by the free expansion of individuality and therefore economic organisation is most efficient when it most easily and rapidly supplies economic wants without encroaching on other functional activities.”

To say that work is the only title to life is ethically wrong and economically fallacious. The title to life is the fact that you are alive and that you are a member of a functioning co-operative commonwealth, *whether conditions require you to work or not.*

“If a man work not neither shall he eat” was a necessary moral and economic sanction in the days of scarcity. Those days are gone and the sanction should go with them.

To insist that you must have employment to live and at the same time operate a system that periodically throws millions out of work is not only an insult to common sense, but a negation of human rights and a denial of social justice.

Eighty years ago John Ruskin wrote:

*"The question for the nation is not how much labour it employs but how much LIFE it produces. For as consumption is the end and aim of production, so life is the end and aim of consumption. There is NO WEALTH BUT LIFE. Life with all its powers of love and joy and admiration. That country is the richest which nourishes the greatest number of noble and happy human beings."*

Judging by these standards the present system stands condemned. It is impossible to achieve freedom from want and fear whilst it continues to operate.

## ***Money is a Book of Revelations.***

If we enquire further into the working of the present system we shall discover the origin of the money incomes that give economic security.

Money consists of tangible currency or legal tender money in the form of notes and coins and intangible credit or ledger-entry money in the form of pen and ink entries in books. The government creates the tangible currency, which is only about one-tenth of the money in existence.

It is the proper function of government to create all money. As Abraham Lincoln said—"It is the government's supreme prerogative and its greatest creative opportunity." But successive governments have permitted the private banks to usurp the right of creating all the Credit of the community.

Its creation is practically costless, consisting as it does of pen and ink entries in ledgers and operated by pen and ink entries in cheque books.

To appreciate the volume of Credit created in this way by the banks the clearing house figures for the week ending June 29, 1942, were £66,633,000. According to Sir James Elder 500,000 cheques, amounting to £10,000,000 are cleared every day. This accounts for more than 99 per cent. of the total business done in Australia.

The sole right to issue money in this way gives to

the private banks a Monopoly of Credit and it is safe to say that this monopoly controls all other monopolies and the government itself.

*The elected representatives of the people are completely under the control of an unelected dictatorship of money.*

### ***It's a Debt-Logged World.***

The Banks lend this Credit to industry for production and every penny is repayable with interest. They also lend this Credit to governments for public works. The interest on this is recovered from the public by taxation, but the principal is seldom, if ever, repaid. It is added to the public debt. In this way all industry and governments function on *bank-created debt*.

The credit-money loaned to industry filters through the processes of production into the hands of consumers and becomes available as purchasing power to buy the products of industry. This is the only purchasing power in existence.

In the processes of production all goods acquire costs and the sum of these costs determines the prices at which the goods must be sold. This is the "iron law of costs," and businesses can only remain solvent by observing it.

It cannot be too strongly emphasised that the relationship between the purchasing power distributed by industry and the prices of the goods for sale is the core of the economic question and is vital to any understanding of the problems of the world.

The analysis of C. H. Douglas clearly shows that the collective prices of the goods for sale are always higher than the collective purchasing power distributed in respect of them, and that never, at any time, do they balance. This is directly traceable to the financing of industry by interest-bearing credits.

Let us see how this disparity arises through finance by debt. As previously stated the trouble has to be looked for in the distribution end, not in the production end. Let us try and visualise the system of distribution as a balance.

## ***Why Bank Finance Doesn't Work.***

In one scale is the money that filters through industry from bank overdrafts and which forms the only purchasing power available. In the other scale is the prices of the goods for sale.

If prices and purchasing power were equal the scales would balance. There would be what we call an *Equation*. This is what there should be in a proper economic system, but, unfortunately, ours is not a proper economic system.

We will suppose that a bank loans £1000 to industry for the purpose of production. If the loan were to a manufacturer by way of overdraft the interest would be calculated on a daily balance. According to his rate of turnover he might use this £1000 several times in the year.

Assuming that he used it completely three times he would have distributed £3000 into the community for wages, raw materials, etc., and this would function as purchasing power, and costs and prices would be generated to the same amount.

If the interest rate were 6% then we can say that the £1000 overdraft would cost him 2%, or £20 a year. The bank does not issue this £20 but the manufacturer must increase his prices by £20 to recover this interest cost. There is now £1020 in the prices scale but only £1000 in the purchasing power scale. The balance is upset.

Again, the manufacturer would want at least 9% profit on the money used so this would average 3% on the overdraft or £30. This amount also is not issued to the community, but the manufacturer must charge the £30 on as a cost. There is now £1050 in the prices scale and still only £1000 in the purchasing power scale. The balance is further upset.

Then the government steps in and taxes the consumer 10% of his purchasing power or £100 out of the £1000 distributed. There is now £1050 of prices but only £900 of purchasing power.

The consumer now comes into the picture. He decides to save £50 of his purchasing power and invest it. Savings invested in this way become Capital. The prices are still £1050 but the purchasing power is now reduced to £850.

We could mention other things that would increase the prices without increasing purchasing power but as the balance is now completely upset there is no need to demonstrate further.

## ***We Can Only Live by Getting into Debt!***

It must be clear that if there is a disparity of £200 between purchasing power and prices in a small loan of £1000, the total disparity in the community when millions are loaned in this way must be enormous.

It must be also clear that under pre-war conditions, the disparity is represented by unsold goods priced at £200 and that the total amount of unsold goods in the community must also be enormous.

We are not claiming that all these goods remain unsold. The point is that they cannot be sold by the purchasing power distributed in their production. The only way they are sold and can be sold is by the banks issuing more *new* credit for *new* cycles of production.

It is only by the continual issue of fresh debt that the system can continue to function. That is to say, we only exist in the present by mortgaging the future. If credit were stopped completely industry would be in chaos inside one week.

Take the example of our manufacturer who borrowed £1000 to carry on his business. He leaves his mortgaged business, gets into his car which is pledged to a finance corporation; arrives at the home he has bought on 15 years terms from a building society; admires the frock his daughter has bought on lay-bys; eats his dinner with cutlery obtained by his wife on cash orders; listens in on his time-payment wireless to a bank-economist on the need for confidence in "sound" finance; retires, tired out, to

his hire-purchase agreement bed and falls asleep wondering how he is going to pay his income tax.

There are many thousands like him and in the days of our so-called prosperity nine families out of ten were kept going by mortgaging the future.

Then there is the method of lessening the disparity by selling below cost. Primary producers the world over are doing this. They subsidise the loss out of reserves if they have any, but 90 per cent. do it by increasing their overdrafts with the banks, thus gradually losing their equities. In their struggle to beat the "iron law of costs" they are heading straight for bankruptcy.

The greatest factor, of course, in selling otherwise surplus goods is the spending by the Government of huge sums on public works, the proceeds from which are used to buy consumable goods.

The Government borrows this money or credit from the banks, and the banks, as Hawtrey, the Under-Secretary of the British Treasury, points out in his book, *Trade Depression and the Way Out*, "*create the means of payment out of nothing.*"

As all these borrowings are added to the National Debt and carry interest in perpetuity it means we are *selling present production by mortgaging the purchasing power of generations unborn.*

So every way we look we see the same result. More and more debt to the Banks, more and more control by the monopoly of credit over industry and governments, more and more enslavement of the people by taxation and more and more economic insecurity.

## ***"Sound" Finance Scuttles the Ship of State.***

These evil results are masked whilst the banks are issuing Credit in a regular stream into the community. Goods are being sold, prices are inflated, unemployment is at a low level and there is a period of boom. But there is a very definite limit to all this.

After a period of credit (money) expansion certain factors begin to operate that may prove dangerous to the banks themselves. This danger must be avoided at all costs—to the public—and no costs to the banks. This is the *soundness in Sound Finance!*

Without warning the banks call a halt, then go into reverse gear. New overdrafts are restricted, old ones called up, markets collapse, the boom becomes a slump.

Vincent Vickers, once a director of the Bank of England, who became a great monetary reformer because of his inside knowledge of the system, wrote:—

*“Sound Finance permits and often encourages the taking of risks on the part of industry and commerce, but must avoid participation in that risk. It favours deflation but abhors inflation, and in an emergency is always the first into the lifeboat, the first to leave the sinking ship and the last to man the pumps.”*

In every such crisis the rights of the banker and the claims of money are paramount. No matter what poverty, misery, despair, and ruin result from this restriction of credit, the banker gets his full pound of flesh.

As the crisis deepens savings and equities vanish, businesses go bankrupt, millions are thrown out of work, there is a wild struggle to find markets abroad for the goods that cannot be sold at home.

As every country is in the same plight, this leads to economic friction, bitterness between nations, and eventually and inevitably to military war. *All wars have an economic basis.*

These disasters can be traced directly to the surrender by the government of its prerogative of creating all the money of the nation and allowing it to be created and controlled by private institutions as an interest-bearing debt.

*By this surrender all our economic, political, social and public activities come under the control of those who create the credit of the nation—that is, the private banks.*

Having the vast power which this universal control gives, the banks influence parliament and all organs of public opinion for their own ends and as Reginald

McKenna, ex-Chancellor of the British Exchequer and Chairman of the Midland Bank, once admitted in a frank address to his shareholders, "*the banks thus control the policies of government and hold in their hands the destinies of the people.*"

## ***The Greatest Power in the World.***

The power of the Monopoly of Credit is the greatest power ever vested in any system in the world and those who operate it will move heaven and earth to retain its authority.

They have become through finance the masters of the world and it is the will to power and lust of power that dominate them rather than their enormous profits.

This power, as the late William Jennings Bryan once said, "can be overthrown only by the awakened conscience of mankind."

And until this power is overthrown there will be no New Order, no new civilisation, no economic security, no fundamental freedoms, only disappointment and disillusion.

We have dealt with this question on a peace-time basis because a war-time economy is abnormal. In war-time there is no unemployment and consequently no *unemployment* even though the great majority are unemployed in the true economic sense; that is to say, they are producing for waste and not for use.

Purchasing power distributed in this way removes surplus consumable goods from the market but piles up the National Debt and Government taxation.

Money becomes a secondary question in war-time, but the results flowing from the way this money is obtained are primary.

Let us get a realistic impression of our system of war finance. The Government expects to spend in this current year about £500,000,000 and next year £700,000,000. Instead of creating this money, free of debt and interest, as it is their prerogative to do, they will get it by loans, sales of bonds, war savings certificates

and taxation. We will be implored, cajoled, threatened, and probably compelled by Act of Parliament to invest in war bonds and accept confiscatory taxation.

But no matter how the raising of this money is effected, the fact remains that every penny of it will be or has been *created by the banks*. Private individuals cannot create money or credit; the government refuses to do so and thus these amounts all come from the only available source—the private banks.

### ***The Banker's Ink Pot Trick.***

We have already pointed out that *all incomes* arise from overdrafts to industry. It must be clear then that the sums subscribed by private people for loans and bonds and the sums they are forced to surrender by taxation, all had their origin in a *banker's debt*.

But there is a vital difference between money subscribed to government loans by the banks and by private people. Private people loan money they have *earned* by work or service to the community, but the loan made by the banks is *absolutely new money created out of an ink-pot, costless in itself and for which no service has been rendered*. To be more explicit, a loan made by a bank is nothing more than a ledger credit entry made by a bank.

It has been publicly admitted by the Chairman of the Bank of New South Wales that the first War Loan of £20,000,000 was entirely subscribed by the private banks. Let us assume that the share of one bank was £4,000,000. Out of this loan the government used £500,000 to build bombers.

After 3 years at the most these bombers are useless or destroyed. The asset of half a million vanishes, *but the debt remains*. The government uses the balance of £3,500 000 to build a cruiser. At the end of 3 years it is torpedoed. This asset also vanishes, *but the debt remains*.

On this costless investment the bank draws interest of £120,000 a year *in perpetuity*, all of which is extracted from the people in taxation, whilst the widow of the sailor who gave his life for his country gets a pension of 50/- a week!

## *National Debt, Interest and Taxation.*

It is this incredible system of debt finance that is strangling Australia and all the democracies.

According to Australian Statistics for the year ending June, 1942, the National Debt was £1,628,828,760, or £226/18/8 per head of population. The interest bill was £53,633,885 a year or over a million pounds a week. The total taxation was £236,970,345 or £33/4/1 per head.

So a man with a wife and three children has to pay £166 in direct and *indirect* taxation alone. And this does not include local government taxes, water rates, etc.

All these debts and taxes are rising rapidly. If the war lasts another three years the National Debt will amount to nearly £3,000,000,000. It has been estimated that the private debts of primary producers, business people and private persons in Australia already amount to £1,500,000,000, so that the public and private indebtedness of Australia will be £4,500,000,000 in three years' time.

The interest bill on this amount will be at least £150,000,000 a year or *THREE MILLION POUNDS A WEEK*, which will have to be paid "come rain, come shine." This is £20 a year or eight shillings a week for every man, woman and child in Australia.

The man with an average family will have to surrender £2 out of his pay envelope every week in interest charges to maintain this crazy system of debt-finance in Australia. What a bleak prospect for the 2,000,000 wage earners in receipt of £6 a week and less!

Let us look at it in another way. To pay £3,000,000 a week means that 600,000 men on a basic wage of £5 a

week have to devote the whole of their productive effort to meet the interest bill of Australia.

This is *Sound Finance* in excelsis. It is the greatest racket in existence. We may win the war in spite of it, but assuredly we will lose the peace and all hope of prosperity, progress and economic security in Australia will have vanished if this crazy scheme of national finance is suffered to continue into the post-war period.

## *Summary of Results.*

Our analysis of the existing system shows:—

1. That the issue of all money as an interest-bearing debt results in the piling up of intolerable debt and taxation.
2. That the financing of industry by bank overdrafts and their premature recall causes a disparity between purchasing power and prices, so that goods remain unsold or are only sold by mortgaging the future or by dumping them overseas, thus causing poverty at home and economic friction abroad, leading to war.
3. That the issue of new money as Credit by the banks results in increased debts, inflation of prices and what is known as "boom" conditions.
4. That the restriction of Credit Money by the banks causes deflation, bankruptcies, unemployment and what is known as "slump" conditions.
5. That under the system, the only title to live is Work and yet no adequate provision is made for those thrown out of work.
6. That it has placed the financial system above the economic system and caused it to fail as a satisfactory means of distributing the country's great wealth.
7. That it subjects the whole community to economic enslavement and makes freedom from want and fear impossible.

*Social Crediters believe that these evils can be re-*

*medied; that they can be remedied by financial adjustments and not by revolutionary means, and that there is nothing in the Australian Constitution to prevent this from being done.*

But before we give the broad principles of economic reconstruction we consider necessary we would like to state certain fundamental propositions that are axiomatic to a proper conception of Social Credit.

### ***Seven Fundamental Propositions.***

1. That money should have no value in itself; it should not be a commodity to be bought and sold for the profit called "interest."
2. That the right of creating all money and financial credit is the sole prerogative of government and must be restored to it. As the people create the whole of the *real wealth* so the people's government should create the whole of the *financial reflection* of it.
3. That the basis of credit creation should not be currency (i.e. notes and silver) but the capacity of the community to produce and deliver goods and services. That is to say, if we are materially wealthy we should be financially wealthy. Real Wealth and Financial Poverty are incompatible.
4. *That what is physically possible is financially possible.* In other words, if we have the materials, the labour, the machines, and the capacity to do any job, the provision of money to carry it out, being merely book entries, is simplicity itself. The cry of "no money" is, therefore, not only meaningless but grossly misleading.
5. That in an economic system there should be neither inflation or deflation, *but at all times an equation of the total purchasing power and the total prices of goods for sale.*
6. That the purpose of an Economic System is to produce and deliver services and goods to the limits of man's needs by using all the benefits of science and invention,

thus lessening the need for work and increasing the opportunity for leisure and self-development.

7. That there is no economic virtue in "Savings." Man is entitled to a dividend from the cultural inheritance of the race and this should ensure him Freedom in Security from the cradle to the grave.

In any given period savings represent goods unsold. When savings are invested they produce a new series of costs without creating any new purchasing power.

With the compulsion of fear removed by Social Credit there is no need for savings. The virtues they are supposed to possess are merly a tribute to the insecurity inherent in the present system and the fear for the future it instils into its subjects.

## *The Social Credit Solution.*

Having regard to these propositions and in view of our analysis of the existing system, the Social Credit Solution runs along these lines:—

1. The issue of sufficient new money to bridge the difference between total purchasing power and the total prices of goods for sale. This money must be issued as *free consumer credit and must not filter through industry or appear in prices.*
2. The money required to finance new production shall not be taken from savings, but shall be new credits issued for the purpose.
3. *That the amount of Consumer Credit issued in any accounting period shall not be more than is required to effect an equation of purchasing power and prices over the same period.*
4. That the free credit issued to consumers shall be shared by all members of the community, and with scientific control to prevent inflation of prices.
5. That the purchasing power of individuals shall be less and less dependent on employment. That is to say, that a dividend shall progressively displace wages and salaries as science and inven-

tion progressively increase production and displace man-power.

6. That the issue and control of Money and Credit to make these proposals effective be vested in a National Credit Authority, functioning without profit, under the control of Parliament.

A survey of these Social Credit propositions and this solution will show that they contain "the means, chiefly financial," mentioned by C. H. Douglas, of "*bringing to birth a New Civilisation.*"

They embody principles of economic reconstruction that are revolutionary and yet they could be put into operation within the ambit of the existing system and the switch over from Social Debt to Social Credit would cause practically no dislocation.

We have the power in our Constitution to make any regulations governing credit and currency and we have the instrument and machinery in the Commonwealth Bank to make them effective.

*By vesting full and sole power in the Government, through the Commonwealth Bank, to issue all the credit and currency of Australia, without debt and without interest, we are restoring a sovereign prerogative to Government that should never have been surrendered to private institutions.*

By this act alone money would cease to be a commodity and be restored to its proper function as a medium of exchange. At one stroke we would destroy the curse of usury, with its blighting power over the morals and economics of the community. With the abolition of interest on governmental transactions most of the need for taxation would vanish and the National Debt could be gradually redeemed.

With the issue of free Consumer Credit to eliminate the disparity between total purchasing power and prices all wanted production could be sold. Everyone would have an income, regardless of employment, and it is income in consumers' pockets that causes demand for goods. This would so stimulate buying and selling that wealth and standards of living would increase out of all recognition.

## *Consumer Credit and Inflation.*

The Social Credit technique of bridging the gap between production and consumption essentially rules out all possibility of inflation.

Under Social Debt increased prices follow inevitably any increase of credit for production, but under Social Credit profits would be regulated and Consumer Credit would only be issued to *reduce* prices. To-day in Great Britain the Treasury is subsidising retailers to the extent of £100,000,000 a year to keep down the price level of basic goods.

The principle of subsidising retailers to sell below cost is a Social Credit principle. How well it has succeeded in Britain since the war is proved by the fact that the prices of the basic goods concerned have only risen .6 per cent. since it was introduced in April, 1941.

Under Social Credit, however, the price subsidy would work even better, because it would be paid out of Government created debt-free money and *not* out of interest-bearing loan money.

The orthodox method of controlling inflation by pegging prices is neither scientific nor effective. The proper method is to control profits.

Though I have already stated that over-emphasis of the profit motive in industry has created false and dangerous standards, this does not mean that all profit should be eliminated.

Social Crediters believe that private enterprise, with the spur of competition, is more efficient and desirable than State ownership, and that profit, provided it is not allowed to become anti-social, is the proper reward for such enterprise.

In a Social Credit economy business men, wishing to take advantage of the price subsidy (and business could function successfully only by so doing) would register

with the National Credit Authority and undertake to sell their products on an agreed margin of profit relative to their capital and their rate of turnover.

This agreed profit, whilst sufficient to stimulate enterprise and ensure competition, would rule out exploitation. With profits regulated in this way and Consumer Credit issued to reduce prices, there could be no inflation.

This is how the subsidy would work: Suppose it were ascertained that over a given period there were goods for sale marked in prices amounting to £5,000,000 and only £4,000,000 available to buy them. It is evident that the latter cannot buy the former under present conditions. If the goods are to be sold (and that is the problem in peace time) the disparity of £1,000,000 has to be bridged.

Under the Social Credit idea the National Credit Authority would be authorised to issue free consumer credit for the amount. This could be issued in three different ways:—

1. By issuing £1,000,000 as a Dividend direct to consumers, thus bringing total purchasing power to equate with total prices. This would enable the goods to be sold, but would not reduce prices.
2. By issuing £1,000,000 as a subsidy (or National Price Discount) to retailers to enable them to reduce total prices to equate with total purchasing power. This would reduce prices but would be of no assistance to those without any incomes.
3. By a combination of 1 and 2. That is to say, that purchasing power would be increased to £4,500,000 and prices decreased to £4 500,000 and the necessary equation accomplished.

The combination of the National Dividend and the National Price Discount is the best way for it ensures that every person will have an income, and that the goods will be sold under financial cost, but at no loss to producers or retailers.

*In this way the issue of consumer credit increases purchasing power and at the same time reduces prices. Inflation is impossible. The issue of Free Consumer Credit is undoubtedly the solution of one of the most difficult economic problems which will face the post-war world.*

## **Dividends For All.**

A machine age and an era of superabundant production, made possible by science, make the National Dividend the logical sequence to the wage system.

The skill and power that make abundance possible is the common heritage from generations past to the people of to-day and all people should share in this legacy.

Men must be paid the wages of the machine, and the ideal should not be *unnecessary work* but *necessary leisure*.

The people of a community sharing a dividend in common from the wealth they produce would feel themselves partners in a great co-operative commonwealth and their morale would rise to great heights.

*With dividends for all there would be no need for complicated schemes of social insurance based on taxation that irritates the payers and mortifies the recipients, but in its place there would be the happiness and freedom that comes from economic security clear of all taint of indigence and charity.*

*The nation that provides National Dividends in place of the palliatives and social makeshifts of to-day will make strides in seven league boots to freedom and prosperity.*

The re-establishment by the Government of its sovereign right to create all credit and currency will make the task of post-war reconstruction comparatively easy because Finance is the key to it all. Under the present system chaos is inevitable.

With free credit available, men demobilised from defence could be absorbed at once into private industry or used to carry out the vast projects that are crying needs of this great continent.

There are rivers to be harnessed, water and sewerage works to be completed, railways to be unified and duplicated, slums to be abolished, schools and hospitals to be built, industries to be stabilised, immigrants to be welcomed and absorbed.

These things cannot be done adequately under Sound Finance. We may win the war in spite of Social Debt; we can win the peace only by Social Credit. There is no other way of establishing the Four Fundamental Freedoms and of bringing to birth a New Civilisation in Australia.



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