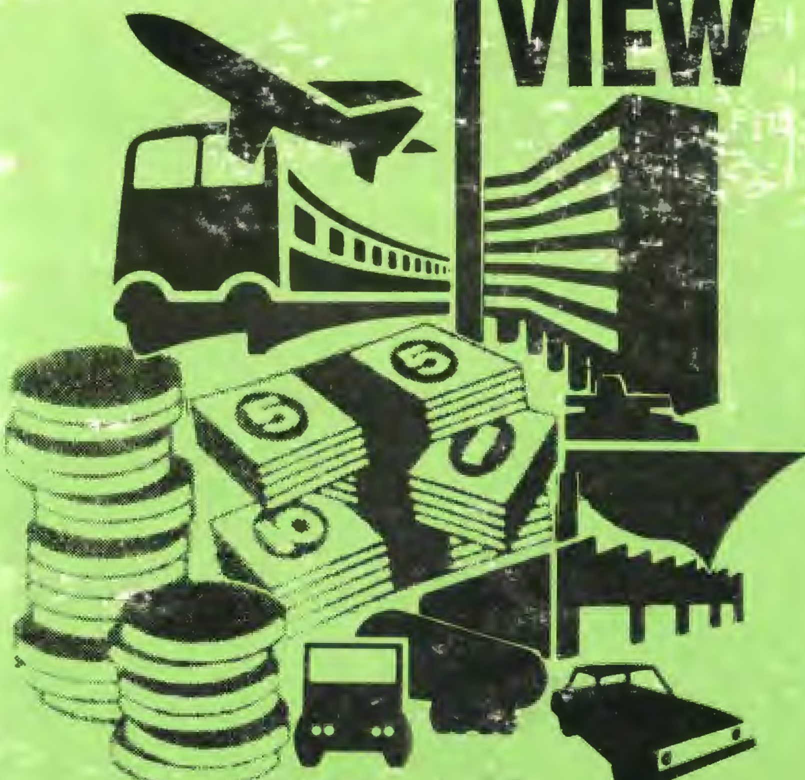
WEALTH— A CHRISTIAN VIEW



**First Report of the
Christian Doctrine of Wealth Committee of the
Congregational Union of Scotland
Presented to the Assembly at Dundee
on 10th May, 1962**

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A CHRISTIAN VIEW

First Report of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland

Presented to the Assembly at Dundee on May 10th, 1962.

With a Foreword by
The Very Rev. Dr. George F. MacLeod, M.C., D.D.

Formerly issued (without Foreword or Appendix) as "A Christian Doctrine of Wealth"

And Appendix of comments on the Report

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Contents

Publisher's Foreword To 1983 Edition.

For a period following the publication in 1962 of *A Christian Doctrine of Wealth*, prepared by a special Committee of the Congregational Union of Scotland, there was considerable discussion about this Report.

But with the passing of time and a period of feverish economic expansion which tended to mask the finance-economic problems raised in the Congregational Union Report, there appeared to be less urgency for people to concern themselves about how credit money was created and associated matters.

However, the situation is now rather different. The very "boom", which was widely hailed as one which would continue indefinitely, ended in a deepening finance-economic crisis, with industrialised nations pouring out a flood of production, a growing part of which they desperately seek to export. There is fierce trade war and harsh words. Declared anti-Communists contest with one another to export — on credit — vast quantities of production to the Communist world.

The debt structure has reached such proportions, with consequent heavy taxation and inflation, that not even repressive financial measures, resulting in unemployment on a scale not seen since the Great Depression of the thirties, can halt a continuing high inflation rate. Inflation is a form of hidden taxation, is both immoral and unjust, and contrary to that right order which Christians should be concerned about.

One of the most disturbing features of the crisis are the human and social problems resulting from large-scale youth unemployment. Drug consumption has increased dramatically as a form of escapism. The disintegration of traditional family life is reflected in a soaring divorce rate. Prophetic Christian writers like Malcolm Muggeridge compare the present plight of what was once called Christian Civilisation, with developments during the collapse of the great Roman Civilisation. Escalating debt, crushing taxation and monetary inflation were the basic cause of the Roman decline.

For the concerned Christian, *A Christian Doctrine of Wealth*, must have even greater relevance than when it was first published. It is a document of the greatest historic importance.

Foreword

by

The Very Rev. Dr. George F. MacLeod, M.C., D.D.
former Moderator of the
General Assembly of the Church of Scotland

If all the starving (not just the undernourished) children in the world were lined up, one behind the other, starting from your front door, the end of the queue would be twenty-five thousand miles away. This is sad.

It is in this situation that, none the less, the West is getting richer and richer and the East is getting poorer and poorer. This is staggering.

It is in this situation that (according to a U.N. world economic survey) all the loans made by governments and the World Bank to underdeveloped countries have been more than offset by the fall in commodity prices in these lands due to the pressure of debt on their economies. This is sin.

It is in this situation that more and more churchmen become aware that to buy a tractor for Nagpur or sink a well in an Arabian village is not enough.

There is something fundamentally wrong

"We must make men clearly understand that the land that yields men income is the common property of all men and its fruits for the common welfare. It is therefore absurd for people to think they are not robbers when they do not pass on what they have received to their neighbours. Absurd! Because almost as many folk die daily as there are rations locked up for use at home. Really when we administer any necessities to the poor, we give them their own. We do not bestow our goods upon them, we do not fulfil the works of mercy. We discharge the debt of justice. What was given by a common God is only justly used when those who have received it use it in a common good."

Who wrote that? Dr. Hewlett Johnson, Dean of Canterbury?

No! The Pope who instructed Augustine, the first of that See. That, which he wrote for a domestic situation, could be repeated today, word for word, concerning the world situation. Indeed it is worse for, of today, we could write: "almost as many folk die daily in the East, as there are rations stored up in granaries for nobody's use in the West."

There is something fundamentally wrong. And it is sin

Much is still said, in our day, of the duty of the Church to abide by the spiritualities and to leave the temporalities to the experts. What men forget is that, in a democracy, we are the experts, or leastways can control them.

The present Prime Minister of France has said there are three roads to bankruptcy: "Women, the pleasantest road; gambling, the quickest; and trusting the experts, the most certain."

Churchmen, as citizens, must take control again. Pope Gregory's role is "over to us". We have largely forgotten there is a Christian Doctrine of Wealth. It has been buried for centuries below the debris of secular verbiage.

Unless we unearth it, and obey it, we will ourselves be submerged in the West by an East driven crazy with hunger. And it will be by the direct act of God. Moses and the Prophets (i.e. the social implications of our Faith) we will not be saved: not even if an Evangelist were to rise from the dead (Luke 16.19).

Some say an issue for urgent consideration, if we are to recover the Christian Doctrine, is our Banking System.

Many in the Church of Scotland must be humbly grateful to the Congregational Union in this land for opening the debate with this important pamphlet. I predict it will prove historic as preface to a growing discussion among Christian laymen.

GEORGE F. MACLEOD

January, 1963.

Introduction

The Christian Doctrine of Wealth Committee was set up in terms of a remit from the 1960 Assembly of the Congregational Union of Scotland "to examine the financial system from the Christian standpoint". It replaced an earlier committee that had been studying the subject under terms of a remit from the 1958 Assembly.

The following have served on the present Committee:

Rev. James G. Dey, M.A. (resigned December 1960).
Mr. L.P. Elwell-Sutton, B.A.
Rev. T.A. Lewis, M.B.E., M.A.
Rev. Allan C. McDougall, M.A.
Mr. William Murray, C.A. (resigned February 1962).
Mr. Idris W. Phillips, M.A. (resigned February 1961).
Rev. Dr. A. Morton Price.
Rev. Dr. A.F. Simpson.
Rev. Hamish Smith (resigned June 1961).
Rev. W.A. Tindall, M.A.
Rev. Dr. W. Montgomery Watt.

The chair was taken by the Rev. A.C. McDougall; the Secretary was the Rev. Hamish Smith, and after his departure for the U.S.A. in June 1961 Mr. L.P. Elwell-Sutton.

The Committee held its first meeting on September 22, 1960, and in all, seventeen meetings have been held in Edinburgh or Glasgow. Among those who have furnished the Committee with their views, either verbally or in writing, are:

Professor P. Ritchie Calder (Professor of International Relations, University of Edinburgh).

Miss Mary Dunn (Committee of Enquiry into the Scottish Economy).

Mr. Maxwell Gaskin (Senior Lecturer in Political Economy, University of Glasgow).

Mr. W.T. Martin (Director, William Martin & Sons Ltd., Fruit Importers, Glasgow).

Rev. Dr. Stewart Mechie (Senior Lecturer in Ecclesiastical History, University of Glasgow).

Prof. D.J. Robertson (Professor of Applied Economics, University of Glasgow).

Mr. Brendon Sewill (Conservative Research Department).

Mr. A.M. Wade (Birmingham).

Mr. A.L. Williams (National Agent and Deputy General Secretary [now General Secretary], Labour Party).

The Committee is deeply grateful to the above consultants, who contributed to this enquiry a wide variety of views. It must on no account be assumed however that the foregoing consultants are in agreement with the findings of the Report, for which the Committee holds itself solely responsible.

Members of the Committee have also studied a considerable number of official reports, documents and books dealing with the monetary system and allied questions from both orthodox and unorthodox points of view. In the course of their enquiries many messages of encouragement and support have been received from persons of different denominations and political views, and thanks are particularly due to those who helped to make possible the printing of this report in full.

The Report that follows represents the unanimous conclusions of the Committee as constituted at the completion of its enquiries in March 1962. It was presented to the Assembly of the Congregational Union of Scotland at Dundee on 10th May, 1962, and received and accepted in the hope that it would lead to further study, and with the clear understanding that Assembly's acceptance of this as a First Report did not imply approval of all its contents. In order that investigations might be continued, the Committee was retained in being, and copies of the Report were to be sent to the appropriate departments of other Churches and to the British Council of Churches.

Preamble

THE CHRISTIAN DOCTRINE OF WEALTH

Under our comprehensive title — The Christian Doctrine of Wealth Committee — we have endeavoured to work within the narrower terms of our remit, viz., "to examine the financial system from the Christian standpoint". This has, at the same time, involved the attempt to reach some understanding of the Christian Doctrine of Wealth and its implications for our task.

It seems proper, therefore, to begin this report with a brief statement of what we believe to be the main elements in a Christian concept of wealth.

I. Wealth, in all its forms, has its source in the Creator's care for His creatures. It is God's sufficient gift for all the needs of man. Since all God's gifts are for the furtherance of His gracious purposes, they cannot be dissociated or diverted from them without grievous loss and failure resulting. Wealth, therefore, is not man's possession to be used and controlled just as may seem good in his own sight.

II. As wealth can be defined as everything that contributes to the weal of man, the Christian should extend the term in his thinking far beyond its generally accepted reference to material resources and possessions, including money. Until that is done, we cannot see the problem in true perspective. Wealth must be "spiritually discerned", that is, seen in the light of the purposes of God, before it can be seen aright. Here is the justification of the claim that the Church should have a word to say, and should say it, where the problems of wealth and its management are concerned.

III. On the above definition, wealth includes all the powers of the human mind and brain, of body and of spirit. Without these, material wealth **would have no value at all.** That statement has far reaching implications. For example, it should lead to hard thinking on the part of the Christian as to the priorities accorded by politicians and economists. What place is given to, say, education, in the widest sense, health and spiritual well-being? These are really the prime human concerns. How are they being served today in our economy? It is necessary to take a hard look in that direction.

IV. The Christian Doctrine of Wealth is based on the Gospel of the good will of God, as revealed in Jesus Christ, for the whole man and for the whole of human society. It is a grave limitation of the Gospel to regard it simply as a declaration of the purpose and power of God "to save souls" in the narrow sense in which too often that phrase has been and still is used. The good purpose of God, as revealed in Christ, is to save the whole man and to redeem the whole human situation on earth. In our Lord's view (Matt. 5, 45) the physical blessings of life are instinct with Gospel truth — the truth of the Father's indiscriminate goodness and mercy toward all men. To contend for that truth is to contend for the Gospel and we cannot contend for the Gospel in its fulness unless we contend for that truth. Material wealth is sacred, for it is invested with the love of God. To waste it, abuse it, restrict it, hoard it or withhold it is to blaspheme the giver. Unless the Church, through her witness by word and action, makes this truth clear, she preaches a limited Gospel and her message, in so far, is irrelevant to the needs of the world for which Christ died. In the light of The Christian Doctrine of Wealth, no amount of earnest piety and evangelistic zeal can, in this case, give saving point and power to her message to the world today. It is well to remember the assiduous care given by the primitive Church to the physical needs of the fellowship. At that stage, her witness was borne as a "colony of heaven".

V. The Christian Doctrine of Wealth, therefore, holds that the prime factor in the whole question is the will of God according to the Gospel. It also holds that all that is required for human weal of all kinds is provided for in the divine economy. Nothing has been left out in the Father's care for His human household with its varied needs of body, mind and spirit. That must be a fundamental article in the Christian's faith. The great saying of Jesus, "I am come that men may have life and have it in all its fullness" (N.E.B.), lights up the gracious purpose of our Creator and Father God for man His child. Since this purpose of God is nullified over a vast area of human experience, as is seen in the widespread poverty and want existing in the world today, it is the duty and task of the Church — the custodian of the Gospel — to search out the causes. It is not sufficient to say that they are found in human sin and folly. That platitude begs a few questions. The sins and follies of men are written into human institutions and systems, and once a system or insitution has been generally accepted and approved a mantle of respectability covers the sin and folly which it contains. It may then even receive the acquiescent patronage of the Church. There is an inescapable obligation resting on Christians, therefore, to direct a searching scrutiny at all systems. The financial system — the most powerful of all — should be no exception.

The Role of Money

The Committee is in no doubt that a monetary system is an essential feature of our modern complex society, and that any attempt to abolish money and to return to some form of barter would result in chaos. At the same time there is a strong body of public opinion which is convinced that the mal-functioning of the present monetary system, whether because of improper use or because of some fundamental defect, is responsible for much of the economic confusion and distress that afflict mankind today. It is the validity of this contention that we have felt it our duty to investigate.

We also recognise that, while ideally all mankind are brothers and there should be no distinction between one part of the human race and another, the government and people of Britain are bound to concern themselves primarily with their own social-economic and monetary systems, since that is all that they themselves can claim the right to control or change. In planning how these should function, they must of course have full regard to the possible effects on the outside world of any measure that they adopt. In this sense their planning must be international.

In the appropriate part of the report we offer a definition of the term "monetary system". We recognise however that, for the purposes of this enquiry, we cannot confine ourselves to these strict limits, and that in view of the fact that money is the medium for the control of prices, wages and salaries, the levying of taxation, the financing of internal production and international trade, the provision of social services, pensions and similar allowances, we must permit ourselves to consider any or all of these at the appropriate time.

PART ONE

A CHRISTIAN ECONOMY

We felt it necessary first of all to consider from a Christian standpoint in what directions it was desirable that a social-economic system should move. We have come to the conclusion that the following represent the main objectives.

1. The best possible use of available natural and technical resources for the satisfaction of human needs and the promotion of human well-being.

We regard this principle as fundamental to the whole enquiry. We consider that every human being has an inalienable right to the basic necessities of life — food, warmth and shelter. We are also convinced that the natural resources of the world, together with the technical skills accumulated over the centuries, are now such as to make it possible for this right to be achieved for all, without the necessity of reducing the present standard of living of any person anywhere in the world.[1] The object of production is consumption. There is no point in producing something that is not required by anyone; on the other hand, where a material human need exists, every effort should be made to satisfy it through the productive system.

Waste and Want

It is clear however, that this objective is far from being achieved

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1 Estimates of the potential capacity of the earth to support its population vary widely. One of the leading experts in the field, Professor Colin Clark, Director of the Agricultural Economics Research Institute, Oxford, stated in "World Population" (*Nature,* May 3, 1958, p. 1236) that, if the present-day standard of Dutch farming were to be applied to "good temperate agricultural land" throughout the world, it would be capable of supporting 28,000 million people, or ten times its present population. A year later, in "The World Can Feed Itself" (*World Justice,* September, 1959, p. 49), without taking into account other food resources such as the sea, he revised this figure upwards to 90,000 million! More conservative, but still very impressive, estimates are to be found in such sources as:

The Determinants and Consequences of Population Trends (U.N. Department of Social Affairs. Population Division. New York, 1953).

at present. On the one hand there is widespread waste and misuse of the world's wealth. It is still apparently possible to talk of a "surplus crisis", as the following item from the *Guardian* of May 5, 1961, reveals: "Paris, May 4. Agriculture Ministers from 18 countries today called for measures to meet a butter surplus crisis — including efforts by countries to cut their butter sales to Britain or agree not to increase them". In other words, orthodox economic logic can maintain that a "surplus" of real wealth, besides precipitating a crisis, can best be countered by reducing consumption!

Again, the proved oil resources of the Middle East, if consumed at the present rate, will last for another hundred years. Yet long before that time has elapsed oil will have been rendered useless by the development of atomic energy. The oil is being retained in the ground in order to maintain the world price, instead of being extracted for the benefit of the countries where it lies and the world at large.

The Agricultural Trade Development and Assistance Act was enacted by the U.S. Government with the purpose of reducing the accumulation of the surplus commodities in the U.S. which the U.S. Government has to buy under the price support legislation, and which costs the U.S. more than 2 billion dollars per annum for storage alone. Despite the operation of these disposal plans, the problem of surpluses is nowhere near solving itself. The Chairman of the Inter-Agency Committee on Agricultural Surplus Disposal, in a memorandum submitting a report on the activities under this Act for the second half of 1958, wrote: "Successful as has been the operation of Public Law 480 [the Act in question] . . . Commodity Credit Corporation holdings, with their resultant high costs and the commensurate burden on the taxpayer, have since 1954 increased rather than diminished".

In Britain the great railway network bequeathed to us by the nineteenth century is being allowed to fall into disuse and decay, although

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Proceedings of the World Population Conference, 1954. Summary Report. (New York, 1955).
The Future Growth of World Population (U.N. Department of Social and Economic Affairs. New York, 1958).
Sir John Boyd Orr, *The White Man's Dilemma* (London, 1953).
Sir E. John Russell, *World Population and World Food Supplies* (London, 1954).
Jacob Oser, *Must Men Starve?* (London, 1956).
Leonard Hurst, *Hungry Men* (London, 1958).
L. Dudley Stamp, *Our Developing World* (London, 1960).

Forecasts of the world's population as far ahead as A.D. 2000, at approximately 6,000 millions, fall well behind even the lowest of these estimates, making it clear that there is a wide margin to allow for a general raising of the standard of living.

In 1949 an unofficial agriculture and husbandry research group came to the conclusion that, by the full and proper use of all available agricultural land in Britain, sufficient food could be produced to maintain an average level of consumption higher than that prevailing before the war. Since then agricultural knowledge and techniques have enormously advanced.

the lines, the rolling stock and the skilled labour are available for its operation, and its use would relieve the congestion on the roads and the shocking loss of life that this causes.

The problem throughout is not so much to "establish priorities", to divert productive capacity from one purpose to another, as to make full and proper use of the resources that so far remain untouched. At present we cannot even guess at the potentialities of such use of "God's Providence".

On the other hand human needs are far from being satisfied everywhere, and it certainly cannot be maintained that human well-being is being universally promoted. Over great areas of the world human beings are living well below the subsistence level, and for millions of others life is little more than a struggle for physical existence, with no time or energy left for the spiritual rewards that make life worth living. Even in those countries, such as our own, where a comparatively high standard of living has been attained, there are still to be found many cases of hardship and suffering, particularly among old people. To look no further, much of the housing in cities like Glasgow and Edinburgh is well below the standard that ought to be maintained.[1] Children are still educated in old-fashioned, insanitary school buildings, their teachers overwhelmed with large classes. A significant proportion of the students who qualify for entry into the universities are unable to find places; according to a recent statement, places at Bristol University alone were "oversubscribed" 17 times.

Human Suffering

But all these failures pale beside the appalling conditions that still remain throughout Asia and Africa, as well as many parts of Europe and South Ameria, conditions that no Christian can observe unmoved. The facts have been fully documented in a wide range of international reports, as well as by the experiences of such men as Danilo Dolci, and it is unnecessary to repeat any of them here. Of far higher priority than any political problems that agitate the statesmen of

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2. It has been estimated that in 1960 there were 600,000 unfit houses in Great Britain, and 2,500,000 more than 100 years old. Between 200,000 and 500,000 families were overcrowded, 5-6 million people were living in houses without baths, 2,000,000 in houses without lavatories. 50 per cent of the houses in Wales have no baths, 20 per cent have no lavatories.

In the Bridgeton division of Glasgow one-third of the houses are "back-to-back", one-fifth have no inside sanitary facilities, 90 per cent are without baths *(Guardian,* 16.11.61).

today is the task of bringing the vast wealth of the world into the hands of those who need it.

2.(a) The release of human beings from the economic necessity of being employed in useless, wasteful or degrading tasks.

This objective goes deeper than is at first sight apparent, for if taken to its logical conclusion it challenges the whole attitude that takes its stand (mistakenly in our view) on the words of St. Paul: "This we commanded you, that if any would not work, neither should he eat." (II Thess. 3, 10.) It is often forgotten that these words were addressed in particular circumstances to a small, simple Christian community of very limited resources, striving to maintain themselves in the midst of a hostile world. Moreover, the key word is "would". St. Paul's meaning was that everyone should contribute his share to the common weal, insofar as it was needed, he was capable of giving it, and the opportunity was available — a principle with which there can be no quarrel.

Yet there has grown up the idea that any employment is better than none, and that the primary object of an economic system is to provide employment. It cannot be emphasised too strongly that the primary object of an economic system is that set out in Part I (1) above, and that while human employment is — generally — a necessary part of the process directed to this end, it must not take precedence over it. From a Christian point of view it is wrong that a man should be employed on work that can be better done by a machine; it is wrong that he should be employed on work that fills no human need, material or spiritual; it is wrong that he should be employed on work that is degrading to himself and his fellow men. Yet all of these are characteristic of our present society, and all of them arise because men are forced to seek **employment** of some kind in order that they may satisfy their legitimate needs.

Useless, Wasteful and Degrading Employment

In a latter part of this report we shall have occasion to stress the change that has been taking place in our productive system over a period of many years — a change that is best symbolised by the new term "automation". The natural trend of technology is towards the elimination of human labour from the task of production, though this has hitherto been disguised under the heading of "increased productivity". But however we regard it, it is a trend greatly to be desired from the social and spiritual point of view; the process however is at present gravely retarded, though it cannot be arrested, by fear of the social consequences — that is to say, widespread unemployment and the poverty and distress that nowadays accompany it.

The same considerations apply to the employment of men and women on such tasks as the production of cheap and shoddy materials and articles, of useless and unwanted "gadgets" designed only to catch the eye, in the operation of football pools and bingo saloons, in advertising directed to persuading the consumer to purchase articles that he does not want or need, and other examples too numerous to mention.

It would perhaps be difficult to draw a clear line between occupations that are obviously degrading and those that are merely useless or wasteful, but it is at least arguable that any form of employment that does not give a man a sense of useful achievement will in the long run prove degrading to him. The monotonous repetition of a mechanical task, day in and day out, is "soul-destroying" in the most literal sense of the word. It might also be maintained that it is degrading when fear of loss of employment, that is of livelihood, forces a man to undertake tasks that he knows to be morally or socially wrong, or simply prevents him from acting in accordance with his conscience.

It has been argued that no one should receive "something for nothing"; but even if this could be justified in principle (and it was our Lord who told us to "consider the lilies of the field, how they grow, they toil not, neither do they spin". Matt. 6, 28), it can only be applied in the light of circumstances. National assistance, free education, family allowances, the National Health Service — all these have been accepted because it is recognised that the community as a whole benefits when its individual members share as of right in its commonwealth; while pensions, unemployment benefit, and health insurance, even if they are regarded as being fully paid for out of personal savings (which they are not), nevertheless admit the principle that the community has a duty to ensure the support of those who are unable to earn their living through old age, ill-health, or inability to find suitable employment.

We therefore conclude that society will be forced increasingly to distribute the means of livelihood among its members other than by the way of paid employment.

2.(b) Parallel with this, education in the use of leisure and the right attitude to work, so that men may develop their God-given talents to the mutual benefit of themselves and the community as a whole.

The achievement of the objective set out in the preceding section will result in the wider distribution of leisure, and will bring with it many new problems. We do not feel that the Church should be alarmed at this. The use of leisure and the right attitude to work are indeed no new problems to those engaged in the spreading of God's truth, but in the past a major obstacle to their solution has been the economic one. Men who are exhausted by the struggle for existence are poor and stony ground for the seeds of spiritual enlightenment. We should not fear the release of men from toil any more than we should fear their release from poverty. That this will place greater responsibility for right conduct on the shoulders of the individual himself is undeniable. But Christians who feel it is their duty to guide and help their neighbours will best fulfil it neither by indiscriminate charity nor by enforcement of rules of conduct, but by helping each man to make his own choice, and to bear the responsibility of making the right one.

The Use of Leisure

The problem of inculcating the right attitude to work is in fact the same as that of teaching the proper use of leisure. But it will only be solved when it is possible to regard work, not as an end in itself or as a means of livelihood, but as part of the achievement of a creative purpose.

It has been argued that in an "affluent" society there tends to be less interest in the things of the spirit. Even if in practice this is sometimes true, it would be dangerous to reason therefrom that poverty is a good thing in itself. It might rather be said (and indeed has been said) that the Churches have so far failed to meet adequately the challenge to them to give people education and guidance in the right way to live in this world. Like all such charges, it is much exaggerated;

nevertheless it is perhaps true that, in a social-economic system where relative poverty and hardship have been the lot of most people, the Churches have found themselves the more readily stressing the transitoriness of the present world. If the Churches are to retain their authority over the minds of men whose material and economic problems have been solved or alleviated, they may have to give greater attention to the importance of the good Christian life in this world. This is not to be thought of solely in the terms in which it was offered to the affluent in the past — charitable works, the sharing of one's wealth, the care of the poor and indigent. The aim must rather be the development of the whole spiritual man — or, as the layman might put it, "education for leisure".

We recognise that it may be expedient that progress towards the leisure society should be gradual, so that opportunity may be provided for education in and preparation for the wise use of leisure.

Human Dignity

3. The elimination of insecurity and fear and consequent selfish materialistic values, so that the individual human being may be enabled to live with dignity and self-respect.

In spite of all the progress that has been achieved in material ways, there has probably never been a period in the history of mankind where there has been such widespread fear and insecurity — fear of war, fear of poverty, fear of unemployment, fear of nuclear destruction. It is scarcely surprising that the attitude of the ordinary man is one of "making hay while the sun shines". Hence the constant strikes for higher wages, the wave of speculation in shares and in property, the urge to "get rich quick" even at the expense of one's neighbours, the gambling craze, the exploitation of the young by commercial interests with its concomitants of juvenile immorality and delinquency. Everyone recognises that these activities are a denial of human dignity and self-respect, yet few seem to recognise that the "spiritual" answer can only be effective if it takes account of the economic motives behind them.

A Socially Healthy Economy

4. The maintenance of a socially healthy economy with a suitably

diversified balance between agriculture and industry, with waste eliminated and with the highest possible standard of living for all.

From a purely economic point of view it is possible to argue that countries should specialise in the types of production most suitable to them, and by exchange obtain elsewhere what they do not produce themselves. Apart however from the practical difficulties involved in the full realisation of such a system, the theory does not take account of the effect on the social life of the country concerned. Britain is indeed already heavily over-industrialised, with the result that its people must depend largely on imports of food, even though on health grounds home-grown food is recognised as best. National physique, living conditions, social life, and cultural and spiritual development, are all adversely affected by the predominance of urban life. Conversely, it is undesirable that "under-developed" countries should be relegated to the role of suppliers of raw materials, and indeed it is abundantly obvious that they will no longer accept this role. A complete and wholesome community is one in which all aspects of human existence and endeavour are represented and provided for.

International Trade

5. The peaceful use of production, by exchange or otherwise, for the benefit of all people, particularly those in need of economic advancement, and for the elimination of want, provided that such trade does not lead to dangerous commercial competition and international conflict, nor to the placing of other countries under alien financial and political domination.

The international economic system has not yet succeeded in solving adequately the problem of satisfying the needs of people in underdeveloped countries. They are treated primarily as potential markets for the "surplus" production of the more developed countries, but the effect of this is (a) that they may be used as a dumping ground for goods that are needed in the country of origin but cannot be marketed there for financial reasons — that are not in fact truly surplus; (b) that, as in the case of the individual consumer (see Part I (2(a)) above), they may be forced to take goods that they do not require, or that may injure their own economies. When moreover a number of industrial countries compete for markets in this way, the clash of commercial interests may lead to political conflict, and even in some cases to war.

The financing of this method of supplying the needs of underdeveloped countries is carried out principally through loans, which may be provided by private financial concerns, by governments, or by international organisations such as the Internatioanl Monetary Fund. In all such cases there is a danger that the objections referred to above may apply, namely, that the interests of the lending agency may prevail over those of the borrower. This is how an official U.S. document (*Technical Assistance: Final Report of the Committee on Foreign Relations,* 12.3.1957) lays down the "concepts and objectives" of foreign aid: "Technical Assistance is not something to be done, as a Government enterprise, for its own sake or for the sake of others. The U.S. Government is not a charitable institution, nor is it an appropriate outlet for the charitable spirit of the American people . . . Technical Assistance is only one of a number of instruments available to the U.S. to carry out its foreign policy and to promote its national interests abroad. Besides Technical Assistance, these tools of foreign policy include economic aid, military assistance, security treaties, overseas information programmes, participation in the U.N. and other international organisations, the exchange of persons programmes, tariff and trade policies, surplus agricultural commodities, disposal policies and the traditioanl processes of diplomatic representation."

The Burden of Foreign Aid

Nor is the recipient likely in the long run to take a rosier view of the situation. A Pakistani critic writing under the significant heading "The Burden of U.S. Aid", comments as follows:

"We see from the facts that the processes of foreign aid have corrupted our freedom and paralysed our political will. Some outward symbols of our independence survive and a formal ritual of dealings between independent governments is observed — within narrow limits, some independence does exist. But the reality of power has been shifted beyond the grasp of our people. A pattern of economic development has been imposed upon us which seeks to reduce our economy to the colonial pattern of an economy which is complementary to the economy of the metropolitan country. Policies are imposed upon us which discriminate against Pakistani enterprise, public or private, and which extend extraordinary privileges to foreign enterprise." *(Pakistan Today,* New Series No. 1, Autumn 1961).

The same might be thought to be less true of the international loan, but in fact the acceptance of direction of a country's economic and financial affairs by an outside body is in no way responsible to the democratic processes within that country. It is not only the smaller countries that may be subjected to outside pressure in this way. "It is necessary under the rules of the (International Monetary) Fund for a borrowing request to be accompanied by a governmental programme showing that the national difficulties which have caused the exchange problem are being dealt with resolutely and wisely. Information received by the Fund has led it to believe that Mr. MacMillan has personally committed himself to a programme which will be adequate to the task." (*Guardian,* 29.7.61). "The connection between taking help from the I.M.F. and imposing a severe monetary and fiscal retrenchment policy at home must be clearly recognised." (*Guardian,* 18.9.61). The definition and interpretation of a "wise and resolute" policy is of course the prerogative of the Fund officials. In the case of Britain's recent application to the Fund the assertion has been made, and has not been denied, that two of the conditions stipulated were the "wages pause" and Britain's entry into the Common Market. Whatever may be said for or against these two measures, it can hardly be argued that it is in the interests of the British people that they should be enforced on them by an outside body without democratic consultation.

And when all this has been said, it still remains doubtful whether the underdeveloped countries derive any practical benefit. It is a shocking fact, disclosed by a recent U.N. world economic survey, that all the loans made by governments and the World Bank to such countries have been more than offset by the fall in commodity prices in these lands due to the pressure of debt on their economies.

We have dealt at some length on this point since it faces us once again with the fundamental challenge — can Christians accept in principle the domination of the weak by the strong for their own ends? Can they indeed accept the domination of man by man anywhere?

We have come to the conclusion that the requirements of a Christian social-economic system cannot be said to have been met until the distribution of wealth is treated on a world-wide basis, so that it is made available wherever it is needed without regard to national frontiers or national ownership.

PART TWO

THE MONETARY SYSTEM

We recognise that the monetary system by itself cannot achieve these objectives, nor always play a major role in their realisation. There is however much evidence to suggest that it can act as an obstacle and even a barrier to objectives that are both desirable and physically possible.

First of all however it is necessary to define the nature of money and the monetary system, to clarify and delimit its proper function in a social-economic system, and to remove some of the misconceptions that have grown up around it.

Money

1. The term "money" may be used to describe any token or other device, with or without intrinsic value, that is acceptable as a claim or title to real wealth, that is to say, as purchasing power.

It is clear to us that by far the most important form of money at the present day is bank credit. Coins minted in the name of the Sovereign, and notes issued by the Bank of England and by Scottish banks play only a subsidiary role, and in any case **pass into circulation in the first instance as bank loans.** The great bulk of monetary transactions are performed by means of the cheque, and it is this system that has made possible the huge expansion of bank loans and bank deposits that has characterised the past fifty years. Thus bank deposits with the ten London Clearing Banks in 1919 were 1,510.7 million pounds (*Report of the Committee on Finance and Industry* (The Macmillan Report), H.M.S.O., 1931, para. 81), and in 1958 were 7,199 million pounds (*Report of the Committee on the Working of the Monetary System* (The Radcliffe Report), H.M.S.O., 1959, para. 134).

The term "bank credit" includes loans, advances, investments, etc., issued by the banking system either directly or through financial institutions, which purport to be the money deposited with it by customers, but in fact are given out without in any way reducing the balances of its depositors, which therefore remain available as purchasing power. Meanwhile the credits so advanced are transferred by the borrowers to other creditors, who will normally add them to the existing deposits in the banking system as a whole, providing incidentally a basis for the further issue of credits. This is the meaning of the frequently repeated statement that "bank loans create bank deposits."

We accept as beyond argument the process implied in this statement, a process made possible by the general use of the cheque (for a clear description see *inter alia* the Macmillan Report, para. 74). The essential significance for our purposes is that fresh credit, that is to say, new money (as defined above), can be provided by a banking institution by a simple and costless process of ledger entry.

Real Wealth

2. "Real wealth" includes all goods and services that contribute to the satisfaction of human needs and the promotion of human well-being. The measure of the real wealth of a community is its ability to deliver goods and services when, where, and as required. It therefore includes goods and services ready for consumption, unfinished goods in process of manufacture, stocks, raw materials and natural resources, surplus of imports over exports, productive capacity both actual and potential, transport and similar services, manpower, inherited and acquired skills and knowledge, educational and cultural facilities, and so on.

It will be seen that the above definition does not draw a hard and fast line between **capital** and **consumer** production. In the sense that all capital production ought to be directed solely towards the end of supplying the needs of the consumer, it does not appear that such a line would be significant. We may however use the term "capital" in the same sense that "real wealth" is used in the definition above. It seems necessary however to point out that the word "capital" is also used by economists in an entirely different sense, that is to say, money or credit for the purpose of buying and exploiting the means of production. We may therefore have the position where **capital** (real wealth) is in plentiful supply, and **capital** (money) is short — or vice versa; it appears to us important to maintain this distinction, and we would prefer for that reason to avoid the use of the word "capital" altogether.

We would like to stress particularly the inclusion of "educational and cultural facilities" under this heading. The spiritual well-being of its members is as much a part of the real wealth of a community as is the satisfaction of their material needs — a truth that the present monetary system finds it difficult to recognise!

Credit Accounting

3. Whatever form a "monetary system" may take, its essential function is to serve as an accounting system recording, as credits and debits, the movement of real wealth within the productive system and into the hands of the consumer.

It appears to us that the fulfilment of this function would require a new and unorthodox approach to accounting technique. Orthodox accountancy requires that, wherever there is a credit, there must also be a debit. But this, when applied to the real wealth of a community (or even of an individual) does not reflect the physical facts. If an individual owns a house, free of mortgage, etc., he may be said to be "in credit" to the value of that property. Who is correspondingly "in debt"? Similarly, the community is always "in credit" to the extent of its accumulated real wealth; the only "debit" to be set against this is the concurrent consumption of real wealth, which is self-evidently less than the whole. The financial situation of a community should always reflect this "credit" position; instead we find that all communities except the most primitive are in a position of permanent and unrepayable debt.

In examining the working of the existing monetary system, we are bound to take into consideration the extent to which its effects are due to the nature and sources of its control. It would be unwise, in our opinion, to assume that, even after the nationalisation of the Bank of England, this is wholly in the hands of the Government. That the clearing banks are strictly controlled by the Bank of England is clear from paras. 350-353, 376 and 430 of the Radcliffe Report. What is perhaps less clear is the relationship between the Bank and the Government. The Radcliffe Report deals with this question in Chapter IX, without throwing much light on it. We regard however as particularly significant (in view of what it does **not** say) the following passage: "The policies to be pursued by the central bank must be from first to last in harmony with those avowed and defended by Ministers of the Crown responsible to Parliament." (para. 767). It does not take much reading between the lines to see that the relationship between the Government and the Bank of England is not unlike that between the Queen and her Ministers. While constitutionally the Government is the higher authority, it relies in practice wholly on the "advice" given to it by the Governor of the Bank of England. Any attempt to act in defiance of such advice could only be carried through by a Government of great determination and clarity of purpose.

The essential truth remains that the banking system monetises the credit of the community, that is, its real wealth, and lends this money to the community as interest-bearing debt. Moreover it is an unrepayable debt, since the figures of debt increase far more rapidly than the figures of bank deposits. In 1958 the National Debt alone totalled 41,105,000,000 pounds — more than five times the total of bank deposits at the same period (Radcliffe Report, paras. 134, 149, 537).

A Fraudulent System?

We have been impressed by the arguments put to us suggesting that the basis of the banking system is on this account fraudulent in the strict sense of the word. The issue of money is, or ought to be, a prerogative of the State, and the privileges given by the government of the day to the Bank of England in 1697 did in fact enable the Bank, and through it the banking system as it subsequently developed, to usurp this prerogative to its own very considerable advantage. The question whether there was fraudulent intent at that time or later does not seem to us to be particularly important at this stage. Nor can there be any imputation of deliberate fraud or dishonesty in the present operation of the banking system, insofar as its day-to-day activities are concerned. We fully recognise the simplicity and convenience of the system, but regard it as essential in the first place that it should revert in its entirety to the full control of the State, that is, of the community.

In the course of its proper function as defined above money may also come to serve as a "measure of value". This function is performed when a price is placed on an article in monetary terms. We feel that, as far as possible, the "value", and so the "price", the monetary measurement of that value, should be determined by the value of the real wealth (including human effort) consumed in the course of producing it. It is permissible to regard the monetary system as "measuring" this value, for the sole purpose of providing the means of transferring the output of the productive system to the consumer.

In our view many of the problems that beset the financial system arise from the treatment of money as a commodity having value in itself. To some extent the economists are to blame for this, in that they fail to distinguish between real wealth on the one hand, and money on the other as a means of measuring it. This confusion stems from the time when monetary transactions were still a matter of exchanging one form of real wealth for another (gold, silver, jewels, etc.) But this was already ceasing to be the case from the day that coins were first stamped with the head of the sovereign (certainly as early as the sixth century B.C., in the reign of Darius the Great), thus endowing them with an additional credit that had little or nothing to do with their intrinsic value. Indeed with the prohibition of defacement and forgery even their intrinsic value ceased to have any significance. From that it was an easy stage to the "debasement" of the intrinsic value of the coinage (while retaining its use as purchasing power), the issue of notes and letters of credit (devised by the Chinese in very early times), and the modern "accountancy" money system, in which money has been reduced to its simplest terms, figures in ledgers. One cannot lend, let alone charge rental for, figures in a ledger; but once let it be assumed that these figures stand for something of intrinsic value, and it is legitimate to claim that the lender is entitled to be repaid in kind and to levy interest.

The "Value of Money

It seems fairly clear however that, whatever may have been the case in the past, money at the present day in its practical function serves simply as an accounting technique, registering the transfer of real wealth from one hand to another. It no longer has any intrinsic value, nor does it serve as a "store of value."[3] Indeed its sole "value" would appear to reside in its usefulness as a title or claim to real wealth. When we say that this "value" may fluctuate, we mean simply that **prices** do not remain stable, so that a given sum of money purchases varying quantities of the same range of articles at different times.

The classical explanation of this fall in "value" is "inflation", that is, when purchasing power in the hands of consumers increases more rapidly than the increase in the supply of goods, prices rise accordingly by natural economic law. In other words we have "too much money chasing too few goods". We do not deny that this has been so in the past, and may still be so in limited areas of the economic system. Nevertheless in a highly developed and controlled economic system such as that prevailing in Great Britain and other industrialised communities at the present day, where a considerable part of the productive system is under direct or indirect State control, we do not think that this explanation any longer fits the facts.

We have come rather to the conclusion that the pace is set by the cost of production, and that when we have an inflationary situation (where the level of prices is constantly rising), what is actually happening is that incomes are trying to keep up with prices.[4] The process is somewhat as follows: a rise in the level of production costs and therefore of prices, and so of the cost of living, is followed by demands for higher wages to maintain the existing standard of living, and incidentally to ensure the consumption of the wealth that has already been produced and the liquidation of the costs incurred. But these demands can only be granted by adding the additional cost into the cost of production. This results in a further rise in prices, and the cycle begins again. This can be seen most clearly in the case of government and municipal undertakings, where it is clear that the "free operation of the market" is not a factor. The recent increases in, for

3 We may if we like regard a bank account as a kind of "store" of purchasing power. This is a proper, though secondary, function of the banking system — the keeping of its customers' accounts. It is relevant to point out that purchasing power, if "stored" too long, may lose some or all its effectiveness.

4 This is admitted — though the implications do not seem to have been realised — in the Fourth Report of the *Council on Prices, Productivity and Incomes* (H.M.S.O., July 1961), para. 8, which states: "We have been brought to the conclusion that inflation has another cause, an upward push as rates of pay are raised and profit margins are maintained by raising prices." See also United Nations, *World Economic Survey 1960*, p. 6 (New York, 1961).

example, Edinburgh's bus fares and school fees were caused solely by the increased cost of employing bus crews and school-teachers.

Unfortunately it is impossible to halt or reverse the process, even when it is understood, since (under the bank-debt system) credits that have been issued have to be repaid. In any case the policy of restricting purchasing power, being based on a radical misunderstanding of the process, merely aggravates instead of alleviating the situation.

The clearest example of the wrong approach to the problem is the levying of purchase tax, which increases prices (without increasing incomes), and is therefore a form of deliberate inflation. A "deflationary" policy, especially if it takes the form of a wages "pause" or even "cut", reduces purchasing power without reducing indebtedness, and results in economic stagnation, bankruptcies and falling productivity.

Debt and Interest

We have given consideration to the questions of debt and interest. While we are not unanimously of the opinion that private debt is undesirable in all circumstances, we recognise that, carried to excess, it can be the source of serious problems. We are more inclined to question the taking of interest, which was condemned by the Churches until the rise of the modern banking system. The principle argument in its favour — that, to quote John F. Sleeman of Glasgow University (*Life and Work,* April, 1961), "people have to be paid interest to induce them to abstain from present consumption" — does not bear examination from a Christian standpoint. A man with a lump sum of 10,000 pounds, if he had no other outlet for it than personal consumption, would be likely to spread its expenditure over a period of time, say, 500 pound a year for 20 years; yet this is precisely the annual sum than he would have if he invested the money at 5 per cent (the question of income tax is ignored for the purposes of this example), and moreover he would have it indefinitely and would still retain his title to the original lump sum. This seems to be a clear case of "having one's cake and eating it"; to induce him to "abstain from present consumption" he must be paid a sum sufficient to enable him to maintain that present consumption!

So far as private loans are concerned, there may be room for argument; but we cannot see any moral justification for the levying of interest on a bank loan which is, as all the experts now agree, "created out of nothing". When a bank "creates" credit in this way, neither it nor any of its customers surrenders title or claim to goods and services, nor do they abstain from "present consumption". Moreover, the addition of interest to the original bank loans, when these loans are the sole source of purchasing power, is a clear cause of purchasing power shortage. Whether or not then the function of "creating credit", that is, of issuing money, reverts in its entirety to the State, as recommended in the preceding paragraph, there cannot be any justification for the levying of a charge for this service beyond a sufficient sum to cover clerical and other costs.

The social consequences of this system of interest-bearing debt finance can be seen at all levels — from the house-owner who finds himself liable for more than double the price of the house he has bought with a mortgage, to the municipal authority whose interest payments may well amount to 40% of its annual expenditure out of rates.[5]

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5 A house purchaser in 1953 received a loan from a Building Society of 3,500 pounds. To this sum was added a life insurance premium of 815 pounds, plus interest on the total at 4¼ per cent, the whole sum to be repaid over thirty years; the total amount was thus 7,702:10: —d., more than double the original loan. In 1962 he was required, owing to increases in the bank rate, to pay, over the remaining 21 years of the loan, an additional annaul sum that would bring the total payment up to 10,008:6: —d., or nearly three times the amount of the original loan.

In Dumfermline, for every 1 pound rent of a council house, 12 shillings to 15 shillings goes to meet interest charges.

Edinburgh's municipal debt in 1961 amounted to 56,906,368 pounds, the interest on which accounted for between 30 per cent and 40 per cent of the year's expenditure.

The accumulated deficit of the British coal industry was expected to reach 90-95,000,000 pounds by the end of 1961. An annual operating profit of 17-23,000,000 pounds was being made, but interest, which in 1948 came to 15,000,000 pounds, was 41,000,000 pounds in 1961, thus returning a profit into a loss (House of Lords, Dec. 12, 1961).

Of the 112,000,000 pound loss on British Railways in 1960, 100,000,000 pounds represented interest.

Debt interest in the Central Government Revenue Account for 1958 amounted to 783,000,000 pounds, or over 13 per cent of the total. This figure does not include interest payments concealed in other items (Radcliffe Report, para. 74).

PART THREE

THE MONETARY SYSTEM AS A SERVICE

Having established our general Christian objectives (Part I) and defined the nature and functions of money (Part II) we are now in a position to consider what services are required of our monetary system if we are to achieve these objectives.

Credit for Production

1.(a) Sufficient new credit should[6] be available to facilitate the expansion of the productive system in all directions that are possible and desirable.

This requirement would appear to follow logically from the principle laid down in Part I (1) above. The monetary system has now developed to the stage where it pervades all aspects of the economic system. Virtually no kind of production can be undertaken without the provision of credit, and it is essential to recognise that lack of credit can have the effect of rendering impossible the production of goods and services that are both necessary and beneficial.

The only criterion for the granting of a credit for new production should be evidence that the borrower possesses, or has access to, the means of production, including raw materials, plant and labour, that there exists an unfilled need for the production in question, and that it is not anti-social in character. This is the negative side; on the positive side, every encouragement should be given to the development of new processes that will increase productivity.

The question "Is there enough money?" and "Where is the money to come from?" should never have to be asked. The only

6 The term "credit" here and elsewhere implies "bank credit" as defined in Part II (1) above.

relevant questions are: "Are there enough materials? Are there enough machines? Are there enough men? Does this project fill a worthy need?

1.(b) Sufficient new credit should also be available to finance the production of goods and services that are unlikely in themselves to be financially self-supporting, but that are needful for the welfare of the community.

This principle has indeed long been recognised in certain cases, in the sense that a number of essential services have been provided by the State, notably those appertaining to internal and external security, to the construction of roads, and so on. More recently the State in this country as well as others has assumed financial responsibility for the relief of poverty, for education, for public and private health, and for a variety of other social services. The monetary system must be flexible enough to take account of the fact that other essential services may no longer "pay their way", and will have to be maintained in this manner, notably transport, housing, higher education.

We would welcome a high degree of decentralisation in the control of such expenditure, where this is appropriate. We have a precedent in the financing of the universities, whose funds are to a large extent provided out of Government grants, but the use and disposition of which is almost wholly at the discretion of the governing bodies of the individual universities. Such devolution of resposibility does not seem to us incompatible with the provision of finance as needed from a central source.

Credit for World Trade

2.(a) The exchange of goods and services between nations should be facilitated by all means possible.

The chief essential is that money should revert to its proper function as a register of transactions in real wealth. This means that, as in the case of internal trade, money for international trade must be in adequate supply for all needs, and that exchange rates must be stable. What is needed is an international accounting system complementary to that already advocated for individual nations, which would enable a straightforward record to be kept of real wealth passing from one country to another, and a balance to be maintained so far as that is considered desirable.

We feel however that before long it will be necessary to go further than this. The distribution of wealth throughout the world should not be limited either by the ability of countries to pay in goods (still less in gold), or by their financial "creditworthiness". A system is required that will enable **all** peoples to acquire what they need wherever it is available; there should be no necessity to insist on a strict balancing of accounts.

International trade should be regarded as an extension of the productive system, with the same objective — the satisfaction of the legitimate needs of the consumer; it should not be regarded as an end in itself. If goods are exported from a country, they should be intended only to secure corresponding imports that cannot be produced at home. The purpose of international trade, in other words, should be the diversification of consumption. For the time being we may have to continue to think in terms of a balanced **exchange** of goods; in this context a so-called "favourable" balance of trade, where exports exceed imports, is as undesirable as the so-called "unfavourable" balance. Both these expressions, however, seem to be the result of thinking in terms of money rather than of real wealth.

2.(b) Sufficient credits should be provided to enable underdeveloped countries to avail themselves of more advanced technical knowledge and equipment in the development of their own resources and, in case of need, of any surplus production.

It has been stressed above (Part I (5)) that underdeveloped countries need to be assisted, not by outright gifts of charity, even if these are without strings, but by enabling them to stand on their own feet. The raising of the standard of living of these countries will be best achieved, not by reducing the standards of technically and materially more advanced peoples, but by making possible the development and exploitation of the natural resources that are still largely untouched. In this task, however, the advanced countries have a role to play in that they possess the technical knowledge and personnel needed to set the process in motion. Once again, purely financial considerations must not be allowed to stand in the way of what is really a Christian duty.

3. The nett expansion of the real wealth of the community should be automatically reflected in an expansion of the supply of money and credit.

The issue of money and credit, from whatever institutions it proceeds, serves both as a facility for production and as a measure of the real wealth produced over a given period. By the same reasoning, the rate of cancellation or repayment of this credit ought to measure the rate of consumption or depreciation of that wealth. It is evident that in normal times the production of real wealth greatly exceeds its consumption (including depreciation of plant, etc.), so that the monetary system should correspondingly permit the repayment of credit at a much slower rate than its issue.

4. Bearing in mind Part III (1(a)) above, means should be found whereby the production of goods and services can be balanced by the consuming power in the possession of the community.

We discussed at length the principle that all production that comes on the market should automatically be reflected in the provision of the necessary purchasing power in the hands of the consumers. It seems clear to us that, since the sole object of production is consumption, a system that provided the necessary finance for production, but not for consumption, would be seriously at fault. There is considerable difference of opinion as to whether the present financial system does this, and we shall deal with this question in a latter section of this report. But we feel we should notice here the opinion expressed to us that purchasing-power ought not to be made available for the consumption of "undesirable" production. In our view this would be to introduce into the functioning of the monetary system an element of moral judgement that it could not properly discharge.

In the first place, there do not seem to be any technical means whereby the monetary accounting system could differentiate between "desirable" and "undesirable" consumption. If the monetary system ensures that the production for consumption of the "desirable" goods and services simultaneously generates the necessary purchasing-power, then this will automatically apply to all forms of production.

In the second place, there is no guarantee that the available purchasing-power, if in short supply, would in fact be used for the "desirable" production, and that the "undesirable" production would be left untouched. Experience indeed suggests just the contrary; in times and areas of economic hardship the necessaries of life (to say nothing of health, education, etc.) are neglected, while gambling and the consumption of liquor thrive.

We will not dwell on the impossibility of drawing a hard and fast moral, let alone monetary, line between "desirable" and "undesirable" in this connection.

That the production and use of wealth must be based on sound Christian principles is obvious; but it is questionable whether this is a matter to be enforced from above by government action. In any event it is clear that restrictions of the money supply is an altogether ineffectual method of achieving this result. We would prefer to stress that the responsibility for the right use of wealth rests with the individual, and with those bodies such as the Churches and the schools whose duty it is to provide moral guidance. The monetary system should be designed as to make it possible for the individual to exercise his choice freely in accordance with his conscience.

Full Employment v Automation

5. Wherever paid employment ceases to function adequately as a means of providing livelihood, alternative measures must be available to avert the suffering and human wastage that arises from poverty and want.

We believe that before long this will prove to be one of the most pressing economic and social problems in the developed countries. It goes far beyond the existing problem of "unemployment". The process nowadays designated "automation" has in fact been growing for many years, and numerous examples are available to show the extent to which machine-power is replacing man-power. Hitherto the problem has to some extent been met by expansion of production (notably in time of war), by shortening of hours of work, and by "concealed unemployment", as in the armed services, the civil service (satirised not unfairly in "Parkinson's Law"), and so on. But it seems probable that such measures as these will not prove adequate much longer, paricularly if industry is permitted to modernise as suggested in Part III (1) above. Automation is now invading the office world, the last stronghold of human employment, responsible at present for the employment of some three million men and women in Britain alone. Opening the Business Efficiency Exhibition at Olympia on October 2, 1961, the President of the Board of Trade, Mr. Reginald Maudling, spoke of the "tremendous waste" in offices in this country. The banking system itself is not immune. News has recently appeared in the press of "'E13B', the 'common machine language' which all British banks have agreed to use as the basis for the automatic handling of cheques and other vouchers . . . In less than another ten years it is expected that almost all bank bookkeeping, certainly of current accounts, will be done by computers and the sorting, listing, adding and checking that occupy so much time in a manual system will also be done by electronic machinery. . . Such equipment is costly and can be economic only if it reduces costs elsewhere. In banking that spells a reduction in staff . . ." (*Scotsman*, 6.10.61).[7]

The Challenge of Leisure

For a time further shortening of hours may alleviate the situation. But as machine-power continues to replace human labour, the further subdivision of tasks will prove to be impracticable, and indeed the human element will have to be more and more highly specialised in capabilities and training. Already the United States, according to a recent analysis undertaken by the U.S. Department of Labour, is faced with some two million "unemployables." To quote a leader in the *Guardian* (24.5.61), "The reason for the growing pessimism over the prospect of finding work for these men is to be found in the changing pattern of the demand for labour in the American economy. Over the past eight years employment in manual jobs in American industry has fallen by more than a million and employment in agriculture by

7 Electricians in New York are reported to be demanding a four-hour day and a twenty-hour week, to alert industry to the prospect of huge unemployment with the coming of automation. Dr. Boris Pregel, a past-president of the New York Academy of Sciences, writes: "The nuclear age will create a leisure-stricken people . . . automation will wipe out whole strata of labour . . . it will affect most directly the specialised skilled and semi-skilled workers who, within a few decades, will be relegated to the rank of unskilled labour . . . the four-hour workday must come in an organised manner, linked to the orderly process of productivity." (Alistair Cooke, *Guardian*, Jan. 12, 1962).

An article by John Davy in the *Observer* for November 19, 1961, under the heading "Automation begins to show its paces", gives details of recent developments in oil-refining, chemical processes and medicine. "White Collars in the Computer's Shadow" (*Guardian*, Feb. 1, 1962) reports: "Last year alone 10,000 computer systems were brought into use in the U.S. with the result that 350,000 non-manual jobs were abolished." See also articles by Professor Colin Cherry, J.D.W. Janes, John Davy and Christopher Strachey in the *Observer* for February 18, 1962.

another million. Not only have the rapidly expanding service trades and the newly automated industries failed to generate enough jobs to make up the difference; the demand has been for people with either sufficient education to fill white-collar jobs or the necessary minimum of skill needed to enable them to operate complex machinery."

The problem therefore is not simply one of providing against old age, ill-health or temporary unemployment — essential though these safeguards will continue to be. We must visualise a situation when it will be impossible to provide "gainful" employment for a substantial and growing section of the population. We are of the opinion that it would be foolish to attempt to retard or reverse this tendency; rather should we look upon it as a challenge and an opportunity — a challenge to solve the economic, social and moral problems, and an opportunity to move on into these wide fields of human endeavour that can only be explored on a voluntary basis. The "evil" of unemployment resides in two things — poverty due to lack of access to the real wealth produced by the economic system, and misuse of the leisure it provides. The first can be cured by a reformed monetary system, and the second — given the removal of the first — is the responsibility of the moral leaders of society, and of course of the individual himself.

PART FOUR

THE FUNCTIONING OF THE PRESENT SYSTEM

Our next task is to consider whether the existing monetary system fulfils the requirements laid down in Part III.

We have felt that it would be improper for us to attempt to go into the technical details of the present financial system. That is a matter for the experts, and indeed it has already been done in the *Report of the Committee on the Working of the Monetary System* (The Radcliffe Report), H.M.S.O., 1959. But we have felt that it is our duty to examine the fundamental principles of the system, to determine whether the shortcomings in the social-economic sphere can be attributed to the monetary system, and if so to decide whether this is due merely to faulty operation of that system, or whether there are fundamental flaws in it that make it an unsuitable instrument for its present-day task. The touchstone for this test is to be found in the principles laid down in Part III.

Restriction of Credit

1. The fact that under the present system all credit for production comes into existence as interest-bearing debt has an inhibiting effect on the expansion of the productive system. In the first place the cost, in terms of interest, of borrowing money for production is so heavy that prospective borrowers are reluctant to take up credits unless there is a prospect of a substantial and continuing profit. Thus on the producer's side there is a reluctance to embark on any projects that are not financially rewarding. It must be emphasised that this reluctance has nothing to do with the Marxist conception of profit or greed as the motivating factor in capitalist society; we are concerned here with an attitude that is enforced upon everyone, no matter how idealistic, by the working of the monetary system.

In the second place banks and finance houses only make loans available to "credit-worthy" borrowers, that is to say, those who have substantial assets as security for the loan and can show that there is a large and **effective** demand for their products that will ensure repayment of both interest and principle without undue delay. Both these factors push into second place a consideration of the merits of a project as a contribution to human well-being, and frequently prevent it altogether.

If this is true of ordinary "commercial" projects, it applies with even greater force to the kind of production envisaged in Part III (b), since such undertakings are by definition not financially self-supporting and so not financially "credit-worthy." Anyone who has any experience of work in social welfare, education, the arts, will be able to think of many projects, of the highest social value, that have languished or lapsed for want of adequate finance. To quote only one example, expenditure on the expansion of hospitals is being limited, for financial reasons, to 2½ per cent per annum; yet the deplorable state of much of the hospital accommodation in this country is stressed by every medical authority.

On the other hand, it would appear that the functioning of the present monetary system actually encourages the wrong use of wealth. It is all too noticeable that the drink, gambling, and mass entertainment industries have no difficulty in getting finance. There is in other words a complete failure to establish sound priorities.

The Struggle for Markets

2. We are of the opinion that, so long as money continues to be regarded as a commodity to be bought and sold in the best international market, it will continue to be subject to arbitrary fluctuations and cannot therefore serve as a satisfactory standard of measurement, let alone a facility for the exchange of real wealth between nations. When private speculation by international financiers can bring about an economic crisis in a country, as was the case in Britain with the "flight from sterling" in 1961, it is clearly time that the whole system was removed from private hands. As an intermediate step in this direction, consideration might well be given to a scheme along the lines advocated by Lord Keynes during the war (*Proposals for an Interna-*

tional Clearing Union, H.M.S.O., 1943, reprinted 1961). Even in this scheme however there is still a tendency to attribute some intrinsic and independent value to money.

The present financial system appears to put pressure on all industrialised countries to achieve what is called a "favourable" balance of trade. This means, looking on any individual country as a trading concern, that its aim must be not merely to be self-supporting financially but also to have a financial credit in its favour. A little reflection will show that a country that has achieved a favourable balance of trade over a period of time is actually poorer in terms of real wealth than it was to begin with, since there has been sent out of the country more real wealth than has been brought in. True, it appears to be richer financially, but this only means that it is "owed" something by the outside world; and unless it is prepared to take this in real wealth (and so have an "unfavourable" balance of trade) it will remain the poorer.

A further consideration arises. Such favourable balances will have to be offset by "unfavourable" balances elsewhere. Such "unfavourable" balances are usually only accepted by undeveloped countries and in particular colonial dependencies. With the spread of independence and the technological advancement of former undeveloped areas, not only are the outlets for the favourable trade balances of the original industrial countries growing fewer, but the newly-developed countries are themselves facing the problem of the disposal of industrial surpluses. Thus commercial competition and the struggle for markets is doubly intensified, with consequences in the political and even military sphere.

There can be little doubt that, while the desire to contain Communism is a strong motivating force in the American policy of aid to under-developed countries, an equally powerful motive is the need to gain control of markets for American exports. The following passage is quoted from the Pakistani report referred to earlier: "Instead of the classical picture of surplus capital rushing out from the high wage economies of the developed countries in order to seek super profits through the exploitation of cheap labour in the under-developed countries, it has clearly preferred to seek highly productive employment in the industrially advanced countries. Its concern has been more the securing of markets and the sources of supply of raw materials than avenues of direct investment. In Pakistan, between 31.12.1956 and 31.12.1959, the net increase in foreign investment in the field of manufacturing was zero. There was, however, a rise of more than 40 per cent in the overall total of foreign investment — the main increase being in the field of commerce followed by investments in mining." (*Pakistan Today,* New Series No. 1, Autumn 1961).

The same objections to interest-bearing debt apply in the international as in the domestic field. This problem is particularly acute in the case of the "under-developed" countries, whose indebtedness steadily increases as further loans have to be raised to meet the charges on earlier ones. If the under-developed areas of the world are to benefit from the knowledge and skills of their more advanced neighbours, means must be found to provide them with this technical assistance without imposing on their people either foreign financial control of their domestic affairs or the burden of long-term debt.

We were impressed by the statement made to us in this connection by Professor Ritchie Calder, that the principles of finance still being followed were no longer valid in the present age.

Our conclusion is that the present financial system distorts the process of international trade by forcing countries to aim at export surpluses and to compete for markets, and by enabling the more powerful industrial countries (to say nothing of international agencies) to impose economic policies on their weaker neighbours that are not in the best interests of those neighbours.

The Growth of Debt

3. We have already stressed (Part IV (1) above) the restricting effect of the fact that, under the present system, all money and credit comes into existence as interest-bearing debt. The high cost of interest charges and the social and moral prejudice against indebtedness combine with the orthodox view that the volume of credit should be kept as stable as possible, to ensure that the money supply is kept a level far below that at which it could be usefully operated. On the other hand the productive system is constantly striving to expand, and even the operation of the debt-finance system fails to stop it. In spite of the best efforts of the financial authorities, the process continues to be an alternation of acceleration and braking, instead of an orderly expansion to the limits of physical possibility.

This process can continue and "work" if (and only if) a permanent state of unbalance is allowed. This has indeed been happening since 1951 at least. It is however an unsatisfactory process because it faces producers with ever-present instability and uncertainty; it means a constant fall in the purchasing power of money, with hardship to those on fixed incomes; it results in the ever-increasing accumulation of interest-bearing debt; and it is always threatened by the dictates of financial orthodoxy, which may impose deflationary policies that are against the interests of the community.

There is therefore a double indictment against the debt-finance system, that it introduces an element of instability and insecurity into the day-to-day running of the economic system, and that it fails to reflect and indeed inhibits the vast potential of the modern industrial world.

A Shortage of Money?

4. The present system does not provide any mechanism by which the supply of purchasing power is automatically geared to the volume of real wealth produced. The classical theory, that when goods outrun purchasing power prices will automatically fall to the proper level, is bound to break down under present conditions, since the lower level of prices is determined by costs and total costs are determined by the volume of credit issued for production, which must be repaid out of prices.

The principle argument between the orthodox and the unorthodox economists appear to revolve around this point. In the view of the first, the monetary system is merely a reflection of the physical economic system, and there is no question in normal circumstances of purchasing-power being in short supply. Such discrepancies as arise are the result of temporary fluctuations that are, or can be, quickly corrected. The monetary reformers for the most part maintain that there is a "built-in" flaw in the present system of bank credit accounting that results in a permanent shortage of purchasing power in relation to the total prices of goods offered for sale.

We do not feel called on to pass judgement on the technical arguments advanced by the two sides. Nevertheless it has struck us that there are many features of the present state of affairs that would be readily explained on the thesis of a permanent shortage of money, but are difficult to account for in other terms. Among these are: the prevalence of the hire-purchase system (outstanding H.P. debt in September 1961, amounted to 953,000,000 pounds), the huge volume of building society mortgages (2,646,900,000 pounds at the end of 1960, and steadily rising), the apparent impossibility of making public undertakings such as transport, coal-mining or the press pay their way, the phenomenal increases in public and private debt in recent times [the National debt alone, which in 1935 stood at 9,111 million pounds, had by 1958 risen to 41,105 millions (Radcliffe Report, para. 537) — about five times the amount of the deposits in the banks.[8]]

One aspect of this matter above all must be of the gravest concern to all Christians, and that is the huge and growing expenditure on defence. Without in any way minimising the political and strategic considerations, we are convinced that one of the strongest incentives urging governments in this direction — or at best discouraging them from reversing the trend — is the need to "prime the pump." Vasts sums spent in this way pass into circulation as consumer incomes without any corresponding consumer goods appearing on the market, and may thus be used to relieve deficiences of purchasing power elsewhere. But few would deny that the price humanity must pay, in terms of world-wide insecurity and fear, is far too high for the doubtful benefits received.

We are further of the opinion that, if there were in fact a constant balance between the sum total of prices and the sum total of purchasing power available to meet them, most of the problems referred to in this part of the Report would not have arisen. It appears to us therefore that there is strong *prima facie* evidence in favour of the claims of the monetary reformers.

The "Evil" of Unemployment

5. In spite of the elaborate structure of pensions, allowances, benefits, assistance, and so forth, these are still all regarded as stopgap measures to meet situations that it is felt in principle should not arise. There is no recognition within the present economic system that

8 If there was no shortage, presumably redistribution would solve the problem. But, according to Mr. Anthony Barber, Economic Secretary to the Treasury, speaking in the House of Commons on Nov. 7, 1961, the aggregate net income in excess of 2,000 pounds per annum (after deduction of tax) amounted to only 265,000,000 pounds or two shillings and ten pence a week per head for all those with net incomes under 2,000 pounds.

unemployment, so far from being an avoidable evil, may before long become a necessity and even a blessing; still less is there any mechanism within the financial system to facilitate and encourage movement in that direction. The fear of unemployment, which is really the very genuine fear of poverty, forces both employer and employee to resist the introduction of labour-saving devices. Fear of redundancy prevents the reorganisation of industries along the most efficient and productive lines. Even the reduction of working hours — except as a device to increase wages by increasing overtime — is resisted because of the lower productivity that it appears to involve. The present financial system appears to have no solution to this problem.

Findings

As the result of our investigations we have come to the following conclusions:

I. We believe that the existing system of debt-finance, whereby practically all money comes into circulation as interest-bearing debt, is prejudicial to human well-being, a drag on the development and distribution of wealth, finds no justification in the nature of things, and perpetuates a wrong conception of the function of money in human society.

II. We believe that the virtual monopoly of credit enjoyed by the banking system is contrary to reason and justice. When a bank makes a loan, it monetises the credit of a credit-worthy customer, admittedly a necessary service. But when it has done this, it hands him back his monetised credit as a debt to the bank plus 6, 8 or 9 per cent. There seems to be an anomaly here, masked by the use and wont, that calls for examination. The true basis of credit is found in the assets of the nation — men, labour, skills, natural resources and the enormous power for production now in human hands. The creation and function of money ought to bear a strict relation to those physical facts, and to nothing else.

III. We believe that the existing system constitutes a barrier to peace and disarmament. It involves the trade war with resulting international friction. It requires the priming of the financial pump through the colossal expenditure on armaments in the cold war situation. By this means vast sums are put into circulation without a corresponding production of consumer goods. It seems difficult to deny the assertion made by Professor Galbraith and others that without the expansion of the economy in this way there would be economic collapse in the U.S.A. and in this country. Since we are confident that it is not beyond the wit of man to devise a system from which these features would be absent, we would urge that it is an imperative Christian duty to press for the introduction of such a system.

Appendix

THE DEBATE CONTINUES

JULY, 1962: *"A Layman" in "Scottish Congregationalist":*

Undoubtedly, leadership on this problem should be welcomed, but does the Report presented at the May Assembly provide this? To many laymen who, like the writer, have spent their lives administering wealth or examining and reporting on its administration, it can only bring disappointment . . .

What was the Committee's task? . . . Was it, primarily, a Christian Doctrine, applicable to Wealth in all its manifold forms, rather than the limited and much more specialised question of the Financial or Monetary System . . . a subject fully covered by the Radcliffe Report?

What of the Committee's findings? Their first conclusion states: "The existing system of debt-finance, whereby practically all money comes into circulation as interest-bearing debt, is prejudicial to human well-being."

What do they mean? Is it a condemnation of debt, of interest if charged, or of both?

(a) If one condemns debt, one condemns credit. Debt is merely the reverse of the credit "coin". I believe that Congregationalists and other Christians approve of credit-finance as a system, giving, and capable of giving, good service at every level, local, national and international. What **they do condemn** is **excess**, whether in relation to debt, alcohol, profit, over-time, saving or consumption. Without credit or loans, based on the right to levy taxes or rates over long periods, payable to some extent by future generations, how can trunk roads, harbours and many other long-life facilities be most readily provided nationally and internationally, in the interests of the common weal?

(b) Again one must ask "Do Christians condemn rent or hire, insurance to cover risks, and the mutual profit motive of a satisfied buyer and seller of services?" It is these three elements that are comprised in interest. Surely one may be providing a service acceptable to both God and the community, irrespective of whether one collects rent directly, or indirectly, under the name of interest?

Do Congregationalists condemn endowments, pension and superannuation schemes, building societies, life and educational insurance, savings banks, Government savings schemes and loans? Surely not. Yet all these depend very largely on interest enabling them to provide benefits for the community by their services.

It is possible that our Committee have confused interest with "usury" . . . "the practice of charging **excessive** or illegal interest for money on loan"?

★ ★ ★

AUGUST, 1962: *L.P. Elwell-Sutton in "Scottish Congregationalist":*

What was the Committee's task? As stated in the introduction to the Report, this was to fulfil remits from the 1958 and 1960 Assemblies "to examine the financial system from the Christian standpoint". Quite apart from this specific instruction, it soon became evident to nearly all of us that the wider implications of the *Christian Doctrine of Wealth* could not be considered without first tackling the monetary system. As long as economic and social priorities are determined by monetary standards, and if these priorities are frequently wrong from a Christian point of view, we are bound to conclude that the present monetary system is failing to perform the service demanded of it.

The Radcliffe Report, referred to by your critic, contains not a single reference to Christian principles. It had, indeed, about as much relevance to our enquiries as a description of the internal combustion engine would have to the problem of travel between Edinburgh and Glasgow. By the same token, the views of accountants, actuaries, professors of economics, and other exponents of the present monetary system, while heard with attention, could not be allowed to outweigh the more fundamental misgivings that assailed us. As our Chairman observed at the first meeting in 1960, "our job is not to tell the expert how to do his job, but to tell him what his job is" . . .

What of the Committee's findings? This, the most important of your critics questions is best and most fully answered in the Report itself . . . I would only say this:

(a) To equate debt with credit is to say that black is white. The Report's criticism of the present financial system is that it misrepresents the community's credit — its real wealth — as a monetary debt. Your critic merely states, as we do, that **under the present system** the provision of "trunk roads, harbours and other long-life facilities" is impossible without debt; he had not proved that from a Christian point of view this is either good or necessary. We believe it to be bad.

(b) Our Report does not condemn outright (though like the medieval Church it expresses doubts about) the levying of interest on private debt. It does, however, condemn the levying of interest on money loans provided by the banking system through a virtually costless technique of ledger entries. Once again, your critic has not shown that interest must inevitably play a part in pension schemes, building societies, etc., merely that it does so within the present system.

The present monetary system performs an essential service expensively, inadequately, unjustly and with detriment to human well-being. That is the burden of our complaint.

★ ★ ★

AUGUST 6, 1962: *The late Mr. H. Norman Smith, formerly Labour Co-operative M.P. for S. Nottingham:*

The Committee has produced a valuable document, stating its findings clearly and with restraint. I hope the Report will be circulated widely among people in a position directly or indirectly to influence monetary policy.

But I am aware of the obstacles in the way of exposing the system of debt-finance. For eleven years as a journalist on the *Daily Herald*, and for ten years as a Member of the House of Commons, I found myself in isolation when I sought to say what your Report says so well.

Where does one go from here? I trust your Committee will not leave the matter where it now stands.

★ ★ ★

AUGUST 24, 1962: *Hamish Fraser in "Scottish Catholic Herald":*

In *Rerum Novarum* Pope Leo XIII denounced the "rapacious usury . . . still practised by covetous and grasping men". Forty years later, Pope Pius XI found it necessary to be even more explicit, and in *Quadragesimo Anno* he referred to the "domination . . . most powerfully exercised by those who, because they hold and control money, also govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood to the entire economic body, and grasping in their hands, as it were, the very soul of production, so that no one can breathe against their will".

Ever since Pope Leo's time, schemes for monetary reform have been of particular interest to Catholic writers and thinkers. In our own time, Colin Clark has advocated the establishment of a commodity-based currency as a means of dealing with the problem of post-war inflation.

It would, however, be quite misleading to suggest that interest in monetary reform has been anything like a Catholic monopoly. This problem has intrigued a great number of people from time to time, particularly in periods of unemployment. But prior to the present epoch in Scotland, which is characterised by both unemployment and a rapprochement between us and our separated brethren, I cannot recall any specifically Scots Protestant interest in this question.

In a sense, therefore, the publication of the first Report of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland is doubly a sign of the times. For in this Report . . . it is stated: "We believe that the existing system of debt-finance, whereby all money comes into circulation as interest-bearing debt, is prejudicial to human well-being, a drag on the development and distribution of wealth, finds no justification in the nature of things, and perpetuates a wrong conception of the function of money in human society".

This is the private conviction of a considerable number of Catholics. On the other hand, many Catholics prefer to regard the financial set-up as a reflection rather than the cause of the prevailing economic disorder.

I myself take the latter point of view. I certainly would not go so far as to maintain that there is no place in the economy for the rate of interest, the essential function of which is to equate the demand for loan capital with its supply. Even the interest charged on bank loans is thus justifiable as a necessary social mechanism.

What is quite unjustifiable, however, is that this levy on investment should be a means of profit for the banking system. I agree entirely with *The Christian Doctrine of Wealth* that the banking system simply "monetises the credit of the community", and that in respect of this service "there cannot be any justification for the levying of a charge . . . beyond a sum sufficient to cover clerical and other costs".

But is there any reason why the difference between such a modest charge and the prevailing rate of interest could not be "socialised" — i.e., appropriated by the Government as a substitute for the many taxes now levied?

To suggest the "socialisation" of the rate of interest in this way, and the overall control of credit policy by the Government, is one thing however; it is quite another to suggest that the banking system "in its entirety" should "revert . . . to the full control of the State".

The case against this, quite briefly, is the case against the Third Reich. To enable any Government to grant loans to whatever enterprises it arbitrarily chooses and to deny loans to, and thus destroy, such enterprises as it wishes to eliminate, is to invite totalitarianism.

This, however, is certainly not the intention of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland. Their primary concern is simply to ensure a rational deployment of human and natural resources in accordance with Christian principles.

The Christian Doctrine of Wealth is therefore a most welcome and timely document which cannot but provoke discussion on social matters among Scots Christians everywhere.

★ ★ ★

AUGUST 29, 1963: *John Allan May in "American Banker":*

The Congregational Union of Scotland has caused a stir by publishing a report for which it claims that "for the first time in 400 years a Christian Church has spoken out about the financial system". . . .

The main fault the committee finds with banks is that "when a bank makes a loan, it monetises the credit of a creditworthy customer, admittedly a necessary service. But when it has done this, it hands him back his monetised credit as a debt to the bank plus 6%, 8% or 9%".

The true basis of credit, the committee goes on, is found in men, labour, skill and productive power. The creation and function of money, it says, "ought to bear a strict relation to those physical facts and nothing else".

The report has been severely attacked by economists and accountants in Britain.

While every modern country struggles with the problem of inflation, the logic the committee uses draws it inevitably to the conclusion that there is a permanent shortage of money.

The same logic makes it possible for the committee to conclude at one and the same time that wealth is production — plus service, but that somehow the wealth of the west is dependent on armaments.

Yet both propositions cannot be simultaneously true. For obviously armaments are a waste of production. Were that waste eliminated the West would be wealthier not poorer; it would face greater prosperity not disaster.

The main criticism, perhaps, is that although in its preamble the committee points out that "Wealth must be 'spiritually discerned', that is seen in the light of the purposes of God, before it can be seen aright", its discussion of the monetary system and of economic theories is exclusively materialistic.

[*Ed*. C.D.W. We entirely agree, and indeed say as much, that "armaments are a waste of production". If such waste could be eliminated, the world certainly **ought** to be a more prosperous place. The fact that the **financial** soundness of our economy depends on the continuance of this waste seems to us the most eloquent proof of the contradiction inherent in the present day monetary system.]

★ ★ ★

SEPTEMBER 1, 1962: *American Labor Union official:*

The credit apparatus has always puzzled me, for exactly the reason you point out — that the government issues the credit and then has to pay interest on it to the banks. In a sane society the whole thing will be seen to be as silly as it really is.

But I can imagine that even the Congregational Union of Scotland will have some little trouble in getting their view-point across to the financial community which controls our economic lives.

★ ★ ★

SEPTEMBER 29, 1962: *"Dunfermline Press"*:

A shocking document? This first report of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland will wound the susceptibilities of many a generous supporter of the Church, and will deflate the ego of those who accept the doctrines of orthodox finance as an extension of Holy Writ.

It has historical significance, too, for it is the first official statement from any Protestant Church on the true function of money in society since Calvin's day. It is worthy of that distinction, for the authors of the report have faced their task with clear and courageous minds, and have recorded their findings in terse, readable prose.

They have eschewed rhetoric, preaching, and vague expressions of pious hopes. They have gone to the heart of the problem of money — the accumulating of debt, the charging of interest, or usury, as it used to be called.

The Christian Doctrine of Wealth probably will, and assuredly should, create widespread discussion, and a great deal of heart-searching, in the Christian community . . .

If you value your peace of mind do not send for a copy of this report . . .

★ ★ ★

OCTOBER, 1962: *Dr. John Highet, Lecturer in Sociology in the University of Glasgow, in "Rally"*:

Most people will find themselves in sympathy with the Committee's criticisms of the working of the present system, and there will be general agreement that the above [the aims listed in Part I of the Report. *Ed.*] are among the aims that a Christian society should set itself.

Some, however, will have reservations as to the practicality of some of the Committee's proposals, and there will be a few economists who will smile condescendingly at these pages and, no doubt, mutter things about the temerity of a bunch of laymen (in the sense of not being professional economists) imagining that they can understand the technical issues that raise themselves and, in however well-meaning a way, put the society to rights with a few visionary expressions of ideals and reforms.

Nothing of this really matters, and the Committee, while realistically expecting some such reception as this, should not be unduly dismayed if it comes to be.

Economists tend to think of their discipline as self-contained and insulated from non-economic factors and considerations or, when they recognise the relevance of political factors (for example) tend to shy off the discussion of these as "ideological" or in some way "not proper questions for economists".

This, indeed, is all the more reason why reflective Christians should consider economic problems and make their voice heard.

In the first instance, it is of little account that they do not speak as experts. What is required is to show the ideals to aim at, and let the experts work out the way to achieving them.

Churches have too frequently shunned the consideration of the kind of question discussed in this Report as "too technical".

The Congregational Union of Scotland, and not least this Committee, have shown singular courage in "having a go", and it is to be hoped that not merely that Union's own members, but Christians throughout Britain and elsewhere, will be stimulated by this splendid example into thinking about these matters.

It does not detract from this tribute in the slightest to suggest one or two weaknesses in the Committee's argument and at least one issue that the Committee might look at again.

Is it really the case, as the Report seems to suggest, that "selfish materialistic values" are "consequent" on insecurity and fear, and would have less hold on men if the latter were eliminated?

Sociological study of affluent societies such as Sweden suggests that materialism becomes more rampant as standards of living rise — at least where counter-forces such as the Church might provide are ineffectual.

Again, one wonders if the Committee fully appreciates the extent to which long decades of living in the sort of society it rightly criticises has conditioned men to accept its features as "natural" and "right", and consequently how long a process of mental refurnishing and spiritual growth will be necessary before the changes the Committee would like to see are deemed acceptable.

But these, and similar hesitations one might confess to, are as nothing beside the fact that the task was undertaken with fortitude and sustained application and with an encouraging degree of success. What really comes out of the Committee's deliberations is that so-called Christian societies are not Christian at all in many important and powerful aspects of their lives.

If it were otherwise, they would long ago have been sensitive to the shortcomings of the economic systems of the large industrialised nations and would have insisted on reform.

Formal Christianity has for centuries proceeded in a non-Christian context against which it has made little protest.

The challenge of this Report is primarily a call to Christians to think more about what being a Christian means in practice in the modern world — both for the individual and for corporations and institutions.

We should be grateful to this small Christian body for recalling their larger and wealthier brother-organisations to this increasingly urgent duty.

★ ★ ★

OCTOBER 1, 1962: *T.V. Holmes, Saffron Walden:*

Money has no "reality". It is only a "unit of account", and as such is **the servant of the Account**. The Report is equivocal on this fact. In one place it is true, it states that 'the community is always in credit to the extent of its accumulated real wealth' — which places the Credit Account as primary. But in another place it speaks of 'the malfunctioning of the present monetary system', when it is the malfunctioning, or rather the non-existence, of any valid Credit Account which is the fault. The Report admits that 'a new and unorthodox approach to accounting technique is required', but does little to clarify the nature and principles of the "accounting technique".

Thus considered, the statement that 'the issue of money is, or ought to be, a prerogative of the State' is a half-truth. The issue of "credit instruments" (money) is, or ought to be, the prerogative of the credit account". The State should be no more than the bookkeeper of the Credit Account.

Thus considered, the conclusion that 'society will be forced increasingly to distribute the means of livelihood among its members other than by way of paid employment' should rather read that society will be forced increasingly to "credit" its members, considered as individuals, with the full measure of their "Real Wealth" Credit Account.

Thus considered, the statement 'once let it be assumed that these figures (in a ledger) stand for something of intrinsic value, and it is legitimate to claim that the lender is entitled to be repaid in kind and levy interest' is again only a half-truth. The "figures in a ledger" stand, or ought to stand, for the community's "Real Wealth" credit, and as such stand for "something of intrinsic value", which would in no sense be the property of the Bank. Nor is there any valid reason why the **rightful** owner of the credit should not lend his property to another at interest if he can find anyone willing to pay for it.

The radio and press are constantly quoting the "cost" of a job as so many "millions of pounds", as though the "cost" was a question of "money", and not of "effort" expended. Were "cost" expressed in "drawings" upon the community's real credit potential, what a different picture would arise. That would indeed assume that "figures" did stand for "something of intrinsic value", and would soon dispel the miasma of fraud and deceit which at present surrounds the "money question" . . .

The "wealth of the world" consists (a) of "property", real and personal, which rightly "belongs" to the individual posessed of a valid title, and (b) of "credit", real and financial, which rightly "belongs" to the community considered as individuals which alone gives life and soul to the "property". "Communists" contend that all "property" and all "credit" should belong to the State, to administer in whatever manner it thinks right. "Social creditors" contend that "property" belongs to certain individuals, but that "credit" belongs to **all** the individuals comprising the community, with the State only entitled to such claims to "property" and "credit" as its owners may decide to accord.

Can the 'distribution of wealth on a world-wide basis . . . regardless of national frontiers and national ownership' be affected **without** a 'domination of man by man'? How will this new "monopoly of distribution" differ from the old "monopoly of credit"? Would not such a "Distribution Monopoly", whether called "charity", "unity" or what you will, be in fact a "Power Monopoly" under a different name?

'Christians who feel it their duty to guide and help their neighbours will best fulfil it neither by indiscriminate charity nor by enforcement of rules of conduct but by helping each man to make the most of his potentialities. The individual must be free under God to make his own choice, and to bear the responsibility of making the right one', says the Report. But how would this be possible with "government", worse still "world government", "charity", no doubt enforced and organised by a World Bank? Charity is a personal thing, and **involuntary charity**, whether by State "ukase" or "majority rule", ceases to be charity. Let those who wish to give, give. Let them form associations for the giving. But let them make quite sure that their gifts are acceptable to the recipients and are of a kind which will help them to help themselves to reach a normal trading position.

★ ★ ★

OCTOBER 28, 1962: *Anthony Vickers, B.Sc., M.I.Mech.E.*

I have read with great interest your First Report of the Christian Doctrine of Wealth and trust that it may have a very great influence on this vital subject. Having been an unorthodox student of monetary matters for 30 years, I am in the fullest agreement with the principles put forward, and there can be no question that were they put into practice, Christian teaching would mean much more to many millions of people throughout the world.

★ ★ ★

NOVEMBER 6, 1962: *Sir Henry Kelliher, Managing Director, "The Mirror", Auckland, N.Z.*

Cable. Consider Committee's findings most constructive and positive contribution to greatest problem confronting Western world today. The monetary and economic reforms indicated are practical and essential and must be given effect to if freedom and any semblance of social justice is to be preserved. Church leaders and governments should be compelled to take urgent action. Very impressed with competent and factual exposition of financial system and its devastating effects on the people as a whole.

Letter. What is wanted is a crusade in which all Church leaders and men of goodwill could unite and bring pressure to bear on the Government to carry through a sound reform of the existing monetary system. It is well known, of course, that the present system is obsolete, and the main deterrent to the full utilisation of available and potential resources.

★ ★ ★

NOVEMBER 19, 1962: *Robert N. Thompson, Canadian M.P. and National Leader of the Social Credit Association of Canada.*

I was most impressed with the subject material. I am convinced that it represents one of the best pieces of work done in this field for some time.

I congratulate you for your foresight in taking the initiative in preparing such a document and for your insight into the real problems which we face today. I find myself in complete agreement with your stand, both as it relates to Christian responsibility and action and to the need of basic economic reform.

★ ★ ★

NOVEMBER 23, 1962: *W.H. Marwick, Lecturer in Economic History in the University of Edinburgh, in "The Friend":*

With the general principles enunciated in the Report on The Christian Doctrine of Wealth, similar as they are to those of our own Social Testimony, and with much of its detailed affirmation, most Friends will be in sympathy. Attention may therefore be concentrated on its more controversial arguments on monetary and financial policy . . .

The importance of these monetary factors was under-estimated before World War I. In the depressed inter-war period the adherence of those in authority to "sound money", and attempts to maintain the Gold Standard, coupled with scepticism as to Government intervention, evoked criticism . . . J.A. Hobson had hitherto been almost alone among economists in asserting "under-consumption" as the fatal flaw in the economic system, and in attributing it to maldistribution of wealth, resulting in excessive saving by the wealthy and lack of purchasing power for the masses. Major Douglas went one better, by insisting on a permanent deficiency of spending power in the community, and demanding expansion of "social credit" to rectify this.

Keynes popularised what was of truth and value in these theories. The "Keynesian revolution" has made his recommendations acceptable by all political parties as a guide to Government policy since World War II. The "revolution", as Burke said of that of 1688, is perhaps a "revolution not made but prevented". The parallel is close. As the tacit alliance of the landed class and the rising commercial and financial interests who "had never had it so good" postponed political reform throughout the eighteenth century, so the adoption of the Keynesian fiscal techniques has buttressed the "capitalist system" by providing the "affluent proletariat" (as they were recently described) with full employment and social security.

One result is probably an exaggerated impression of the influence of financial policy in maintaining economic stability. While it may be conceded that this policy has so far averted the mass unemployment of the 'thirties, it has done so at the expense of a continuous inflation, which has provoked demands for increase of wages and salaries, thus promoting a vicious circle of higher prices, and injuring the standard of the less protected "fixed-income" sections of the community. The growth of Government expenditure, largely for "non-productive" "defence" purposes, has involved a high level of taxation, also inflationary in effect. Governments have given successive jolts to the economy by trying alternately to apply "inflationary" or deflationary instruments, without securing a lasting equilibrium.

If this analysis is accepted, it throws doubt on the complete validity of the argument of the Report, which savours, in approach and language, of the "Douglas Theory", and seems to reflect the inter-war rather than the post-war situation in finding the root of economic evil in the Monetary System. The defect of that system, however, is not a continuous deficiency of credit, due to the banking system, but a fluctuating relationship of credit to productive and consumptional needs, intensified by expansionist or restrictive variations in governmental policy, since Government has now accepted the function of regulating credit. "The creation of bank money", says Mrs. H.R.M. Groome (*Introduction to Money*), "is not arbitrary and unrelated to the creation of real wealth . . . There is, however, a great deal of room for error".

Since the nationalisation of the Bank of England and of the power to instruct the Joint Stock Banks (which almost invariably follow the Bank of England's lead anyhow), allegations of a virtual monopoly of credit by the banks, guided by their sectional interests, can be justified only by asserting that (to borrow a popular misquotation of Marx) "the Government is the executive committee of the capitalist class" — a "notion" for which some activities of the Macmillan administration may give some warrant.

The desirable solution (to quote the Report) of "a constant balance between the sum total of prices and the sum total of purchasing power available to meet them" seems doubtful of attainment without a much greater central direction (for good or ill) of the whole mechanism of production than the Report contemplates, or than has yet been tolerated save under war conditions.

The Report's condemnations, like that by medieval scholastics, of interest ("on a bank loan") as immoral needs further examination. In the purely economic sense "interest" represents a real fact, the difference between "money now" and "money later on" (H.R.M. Groome), irrespective of the social system. The real moral issue is who is to receive the interest: whether, as Bernard Shaw put it, some suffer "abstinence" and others receive its reward. The "growth of debt" is rightly stigmatised. It is probably true, in the words of the malicious parody, that "never did so many owe so much to so few".

The Report's demands for "the expansion of the productive system in all directions that are possible and desirable" and for "the highest possible standard of living for all" require reconsideration in the light of the criticisms of "the Affluent Society" expressed, for example, in the recent Friends Home Service Committee Study Outline (*Christian Life and Morals in an Affluent Society*). The Report's assertion that "unemployment, so far from being an avoidable evil, may before long become a necessity and even a blessing" is ambiguous. Birmingham Friends have found it difficult to formulate a "Christrian conception of work" (see articles by A. Leslie Laycock, *The Friend*, Sept. 21 and 28). Is not the principle implied in the Report better expressed by the old phrase: "From each according to his abilities, to each according to his needs" — simple in principle, if not easy to work out in practice? . . .

The main criticism of the Report is, then, that in rather cumbrous and sometimes repetitive elaboration it concentrates its challenge, somewhat unconvincingly, on certain features of the present financial system. It suggests the questions: Is not the Monetary System only one aspect, if a very important one, of a society based on individual acquisitiveness? Can the most perfect Monetary System function to secure human welfare if production and consumption, buying and selling, continue to be determined by self-regarding motives?

It is, however, gratifying that a religious body should devote so much attention to so mundane a matter as money. It is to be hoped that the Report will stimulate Friends, more than of late, to study the causes of social evils, and to take their rightful share in seeking to remedy them; especially those inherent in our un-Christian economic order — or rather dis-order.

★ ★ ★

NOVEMBER, 1962: *"The Congregationalist" (Carrickfergus, N. Ireland):*

Much honest thinking has gone into the compilation of the report, which is a document which none concerned with the Christian ordering of society can afford to neglect.

★ ★ ★

DECEMBER, 1962: *Dr. Stewart Mechie in "Life and Work":*

Since the late Archbishop William Temple made some forthright statements about the monetary system no prominent Churchman has donned the prophet's mantle in that regard; but now the silence has been broken by one of the smaller denominations . . .

The committee cast its net widely and sought the advice of consultants with competence, some in practical affairs and some in economic theory. There is, however, scarcely anything in its report which should baffle the intelligent reader, for it has not gone into technical details but has been content to deal with obvious facts and basic principles with some references to the recent Radcliffe Report.

★ ★ ★

JANUARY, 1963: *"Expository Times":*

The Committee has had the advice of consultants whose competence is both theoretical and practical. While a few sections presuppose some familiarity with the ways of finance, the greater part of this booklet can be understood by any intelligent citizen. Apart from specifically Christian considerations, it would seem that something is wrong when the national debt, which was nearly 700 million pounds in 1914, increased both in peace and in war, and in this so-called affluent society is now over 40,000 million pounds, . . . What does debt mean in this context? How does it affect international relations? Some Christian commonsense is required, so we commend this first report for study and we encourage the Committee to proceed.

★ ★ ★

JANUARY 10, 1963: *"W.J. Hetherington in "The Scotsman":*

. . . The excellent report in 1962 of the Congregational Union of Scotland's Christian Doctrine of Wealth Committee . . . reviewed the principles to be followed in a "Christian economy" and made some very pertinent comments on the monetary system, the morality (or rather immorality) of interest, etc.

Knowledge is not gained by indolence but by study, investigation and research. The answers and the right basic principles can surely only be found in and near the Churches themselves. We can hardly expect either the Moderator or the Pope to knock on our doors and inform us individually.

★ ★ ★

JANUARY, 1963: *W. Murray in "Scottish Congregationalist":*

[The Report] . . . refers to waste and misuse of available resources, discusses St. Paul's teaching in relation to employment and work, and cites our railway network being allowed to fall into disuse as an example of waste. This I believe to be a misjudgment: what I would substitute follows:—

(a) Britain can only maintain its present population adequately if it is able to buy materials abroad, process them here, and sell sufficient of the processed output abroad to pay for further imports, all to the mutual advantage of producers and consumers both at home and abroad, as buyers and sellers of services.

(b) British Transport Commission reported a loss of 136 million pounds for 1961 . . . Recent press reports indicate that the 1962 loss will be greater. Britain simply cannot afford such losses.

(c) Christian stewardship calls for **profitable employment** of resources, both human and material. If Scottish Congregationalists observe their Lord's two great commandments (Mark xii, 15-16), they need not fear the future.

(d) If, on the other hand, they "worship white elephants", whether "unprofitable" railways, leisure, Church buildings, institutions, committee reports, instead of ministering to the greater needs of a hungry world, they will write their own "Stewardship Report" and receive the appropriate reward.

★ ★ ★

FEBRUARY, 1963: *L.P. Elwell-Sutton in "Scottish Congregationalist":*

In our Report we set forth as the first objective of a Christian social-economic system: "The best possible use of available natural and technical resources for the satisfaction of human needs and the promotion of human well-being". Mr. Murray wishes to substitute for this: "**profitable employment** of resources". Profitable in what sense? Apparently he means "financially profitable", since this is the criterion by which he condemns our railways to oblivion. But is the financial one the truly Christian test of value? If it is, then we must regard gambling as more desirable than higher education, the shopping spree as the best way of celebrating Christmas, and a pop singer as worth a thousand ministers; while "ministering to the greater needs of a hungry world" (to quote Mr. Murray) will have to come a long way down the list.

It is obvious that a measure of value that seems to justify such perversions cannot be a reliable guide for Christians. Perhaps it ought to go altogether; but at the very least it must be re-designed so as to yield results that a Christian can accept. If your scales turn out to be inaccurate, you get new ones; you don't go on giving short weight.

The Christian Doctrine of Wealth Committee has been criticised for concentrating on its First Report too exclusively on money. We do not regard the monetary system as the sole source of evil; but we do believe that it presents a false picture of God's providence to man, imposes a false set of values, prevents a true understanding of the ills of mankind, and hides from human view the right and Christian remedy. No indictment could be stronger.

Extracts from reviews of *The Christian Doctrine of Wealth*

Dr. Stewart Mechie in *LIFE AND WORK* (Organ of the Church of Scotland)
". . . Since the last Archbishop William Temple made some forthright statements about the monetary system no prominent Churchman has donned the prophet's mantle in that regard; but now the silence has been broken by one of the smaller denominations . . ."

COMMONWEALTH DIGEST
". . . Scottish Congregationalists have deserved well of their country by making this examination of its financial system . . . The approach is in line with traditional Christian views on money and a just social order . . ."

LONDON QUARTERLY (Epworth Press)
". . . A valuable monograph which is incisive in its criticism and a definite challenge to Christian thinking on this subject . . ."

John Allan May in a 700-word review in *AMERICAN BANKER*
". . . The Congregational Union has caused a stir . . ."

Mr. H.J. Kelliher in *THE MIRROR* (Auckland, N.Z.)
". . . Consider Committee's findings most constructive and positive contribution to greatest problem confronting Western world today. The monetary and economic reforms indicated are practical and essential and must be given effect to if freedom and any semblance of social justice is to be preserved . . ."

Hamish Fraser in *SCOTTISH CATHOLIC HERALD*
". . . A most welcome and timely document which cannot but provoke discussion on social matters among Scots Christians everywhere . . ."

Dr. John Highet in *RALLY*
". . . A call to Christians to think more about what being a Christian means in practice in the modern world — both for the individual and for corporations and institutions . . ."

William H. Marwick in *THE FRIEND*
". . . It is gratifying that a religious body should devote so much attention to so mundane a matter as money . . ."

CONGREGATIONALIST (N. Ireland)
". . . Much honest thinking has gone into the compilation of the report, which is a document none concerned with the Christian ordering of society can afford to neglect . . ."

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". . . First official statement from any Protestant Church on the true function of money in society since Calvin's day . . . the authors of the Report have faced their tasks with clear and courageous minds and have recorded their findings in terse, readable prose . . . If you value your peace of mind do not send for a copy of this Report . . ."

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