1918-2018: RECALLING THE LAST 100 YEARS by Betty Luks

How appropriate that the year 2018 not only marks the centenary of the ceasefire of WWI, but it is also the year when the Social Credit movement is recalling the life and works of Clifford Hugh Douglas and the centenary of his English Review article *The Pyramid of Power* 1918-1919. That is not all, to have discovered the works of Iain McGilchrist (*The Master and His Emissary*) and Roderick Tweedy (*The God of the Left Hemisphere*), and have Jordan B. Peterson ‘burst on to the world internet stage’ and awaken Western youth to their sense of responsibility, as well as the dangers of the Marxist-Socialist tyranny, just as anthropologist David Graeber’s book *Debt: The First 5000 years* came to our notice, is extraordinary. It is a pity Peterson tells only half the story:

Jordan B. Peterson also mentions Malcolm Muggeridge, who married the niece of Sidney and Beatrice Webb, (early lights in the English Fabian – Socialist - Society), and whose own father was an early member of the Fabian Society. As Moscow correspondent for the UK *Guardian* newspaper, Muggeridge had the opportunity of studying first hand the realities of the USSR communist system, and yes he "had come to realise that what he thought of as a benevolent humane philosophy turned out to be… on examination an appalling tyranny, in which the only thing that mattered, the only reality, was power”.

“It’s difficult to convey to you what a shock this was, realizing that what I had supposed to be the new brotherly way of life my father and his cronies had imagined long before. So again, like the British raj, in the USSR I was confronted with power as the absolute and ultimate arbiter…”

https://alor.org/Library/Muggeridge%20M%20-%20Great%20Liberal%20Death%20Wish.htm

“… We were required to end anything we wrote on a hopeful note, because liberalism is a hopeful creed. And so, however appalling and black the situation that we described, we would always conclude with some sentence like: “It is greatly to be hoped that moderate men of all shades of opinion will draw together, and that wiser councils may yet prevail.” How many times I gave expression to such jejune hopes!

“….. Well, I soon grew weary of this, because it seemed to me that immoderate men were rather strongly in evidence, and I couldn’t see that wiser councils were prevailing anywhere. The depression was on by that time, I’m talking now of 1932-33. It was on especially in Lancashire, and it seemed as though our whole way of life was cracking up, and, of course, I looked across at the USSR with a sort of longing, thinking that there was an alternative, some other way in which people could live, and I managed to manoeuvre matters so that I was sent to Moscow as the *Guardian* correspondent, arriving there fully prepared to see in the Soviet regime the answer to all our troubles, only to discover in a very short time that though it might be an answer, it was a very unattractive one. It’s difficult to convey to you what a shock this was, realizing that what I had supposed to be the new brotherly way of life my father and his cronies had imagined long before, was simply on examination an appalling tyranny, in which the only thing that mattered, the only reality, was power. So again, like the British raj, in the USSR I was confronted with power as the absolute and ultimate arbiter. However, that was a thing that one could take in one’s stride. How I first came to conceive the notion of the great liberal death wish was not at all in consequence of what was happening in the USSR, which, as I came to reflect afterward, was simply the famous lines in the Magnificat working out, “He hath put down the mighty from their seat and hath exalted the humble and meek,” whereupon, of course, the humble and meek become mighty in their turn and have to be put down.

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(continued from previous page) That was just history, something that happens in the world; people achieve power, exercise power, abuse power, are booted out of power, and then it all begins again. The thing that impressed me, and the thing that touched off my awareness of the great liberal death wish, my sense that western man was, as it were, sleep-walking into his own ruin, was the extraordinary performance of the liberal intelligentsia, who, in those days, flocked to Moscow like pilgrims to Mecca. And they were one and all utterly delighted and excited by what they saw there. Clergymen walked serenely and happily through the anti-god museums, politicians claimed that no system of society could possibly be more equitable and just, lawyers admired Soviet justice, and economists praised the Soviet economy. They all wrote articles in this sense which we resident journalists knew were completely nonsensical.

It’s impossible to exaggerate to you the impression that this made on me. Mrs. Webb had said to Kitty and me:

“You’ll find that in the USSR Sydney and I are icons.”

As a matter of fact they were, Marxist icons. How could this be? How could this extraordinary credulity exist in the minds of people who were adulated by one and all as maestros of discernment and judgment? It was from that moment that I began to get the feeling that a liberal view of life was not what I’d supposed it to be - a creative movement which would shape the future - but rather a sort of death wish. How otherwise could you explain how people, in their own country ardent for equality, bitter opponents of capital punishment and all for more humane treatment of people in prison, supporters, in fact, of every good cause, should in the USSR prostrate themselves before a regime ruled over brutally and oppressively and arbitrarily by a privileged party oligarchy?

I still ponder over the mystery of how men displaying critical intelligence in other fields could be so astonishingly deluded. I tell you, if ever you are looking for a good subject for a thesis, you could get a very fine one out of a study of the books that were written by people like the Dean of Canterbury, Julian Huxley, Harold Laski, Bernard Shaw, or the Webbs about the Soviet regime. In the process you would come upon a compendium of fatuity such as has seldom, if ever, existed on earth. And I would really recommend it; after all, the people who wrote these books were, and continue to be regarded as, pundits, whose words must be very, very seriously heeded and considered…”

Even before Douglas appeared on the scene, Orage and The New Age had chosen the path of freedom and had turned their backs on collectivist State Socialism, that is, on the socialism of the will-to-power, as well as on the soul-destroying wage-slavery of Capitalist mass-production. Under the heading of Guild Socialism they were inclined to look backwards to the craftsmanship of mediaeval times, and to reject all science and technology as of the Devil. Douglas supplied just what these people lacked, for although The New Age was the forum for the leading literary and political writers of the day, it was then, even more than now, taken for granted that politics and economics were subjects for the men of words. It was unheard of for someone with practical knowledge and experience of the actual processes of industry and accountancy to take a hand.

In this, Douglas was as far ahead of his time as he proved to be in other ways. An engineer, with a wide experience of practical responsibility in many parts of the world, including the unique experience of drawing up the plans and specifications for the electrical work on the Post Office Tube (one of the earliest examples of automation in the history of engineering) he had spent the last two years of the First World War as Assistant Superintendent of the Government Aircraft Factory at Farnborough. In this capacity he brought an original mind to the question of the factory’s cost accountancy – a mind which thought first in terms of the practical realities of production for use, and then considered the book-keeping or financial arrangements as a secondary convenience, much as a railway engineer might consider the railway ticket system.

This might seem obvious, but it completely inverted the accepted manner of thinking which treats the whole industrial process as if it existed for financial ends, whether for profits or for employment and wages. Douglas’s first article in the English Review of December 1918: The Delusion of Super-Production, would have still been a little ahead of its time if published in 1968; and his recognition of the social responsibility of the scientist and technologist, and of the colossal sabotage and waste!

But upon reading through historical Social Credit material I have to say that early social crediters clearly understood the situation and L.D. Byrne brilliantly summed it all up in an address to the Second Annual Provincial Convention, Alberta Social Credit League in Calgary, Canada, January 1938. L.D. Byrne had this to say:

“… financiers who, through their control of the financial systems by methods familiar to you, control the social institutions of all countries. You are not up against the power of men only.

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You are opposing a system - a system which permeates our entire social structure to such a degree that the results of its operations extend even to suppressing the truth and presenting lies in the guise of the truth. In this fight you are up against what is familiarly referred to as “the power of evil” and which by Major Douglas has been more aptly termed the Devil Incarnate, the Father of Lies. There is nothing too foul, nothing too mean, too slimy, and too cruel, for those serving in this camp to perpetrate. The Devil recognises no law or moral standards.

Now, the struggle upon which you have entered and which is destined to be taken up (by the people of all countries), is the culmination of a struggle which has been proceeding’ since the early stages of that social progress we term civilisation. Throughout nearly the entire period of 6,000 years during which civilisation is known to have existed, Man - the individual - has been struggling to free himself from the domination which has thwarted his life. Curiously enough, this domination of the individual has always been centred in the institution, and institutionalism is a product of Man’s own creation.

For centuries individual Man has been striving to escape from the shackles he has put upon himself, in the establishment of institutions which, in the first instance were unquestionably conceived as devices to serve the purpose of those who created them. Looking back it is easy for us to see that the trouble all started with the early mistakes of those who laid the foundations of civilisation. On the weight of evidence there is every reason to believe that the Nile Valley was the cradle of civilisation. Appropriately enough we associate Egypt with the pyramids - I say appropriately enough because the pyramid is symbolic of the form of social organisation under which the pioneers of civilisation established society. It is the misapplication of this form of social organisation which has caused so much trouble in the process of building up civilisation, and it is this form of pyramidal organised society utilised to impose policy which is at the bottom of the world’s troubles today.

Let me explain exactly what I mean by pyramidal form of society. Just picture a pyramid in your mind. The point at the top is the apex and the square on which it rests, the base. Now that represents the form of organisation of any well-run modern business - for example, an automobile factory. At the apex we have the executive and at the base the general body of operatives. The executive at the apex controls and dominates the entire undertaking for the purpose of obtaining a predetermined result - a supply of automobiles by the most efficient means.

I want you to imagine society organised on the same lines, with policy controlled from the apex, and you will have a picture of the social structure which is threatening universal disaster at the present time. In this case you must picture an all-powerful person, or group of persons at the apex, imposing their will for results upon the entire structure by a series of semi-executives who obtain their authority from the apex. Such a social structure constitutes a tyranny under which the many are subjected to ‘the will of a few’, who ‘control and manipulate them’ by various devices.

This tyrannical form of society was adopted in the Egyptian civilisation, and has persisted ever since. In the main, the technique of tyranny has remained substantially the same though, of course it has improved with time. Always, the dominating principle has been to render the individual subservient to the institution-the State-the Temple, the Army, the kingship and so forth. Always the many have been manipulated by the few, by being conditioned to expect regimentation, by being kept divided into classes, castes and so on. “Divide and rule! maintain ignorance; engender fear;” have been the golden rules of all tyrannies.

The first serious challenge to the pyramidal state came from Greece. Greek civilisation was ‘an attempt to build a new order, and had it been allowed to spread, civilisation would have taken an entirely different course. From Greece we obtained the conception of society in which the institution existed to serve the individual - in fact, democracy which is the opposite form of social organisation to the pyramidal state.

The challenge of Greece was followed by the challenge of Christianity, which laid down the same basic principles for society. For nearly two thousand years these principles have been pursued in the ceaseless fight for personal freedom as a vital basis for a natural social structure; and in that fight the Anglo-Saxon people have played an important part.

The principles of Christianity struck at the roots of the pyramidal state. “Love thy neighbour as thyself.” “The Sabbath” - an institution - “was made for man.” In fact, throughout the Gospels we find stressed the same principles as those for which we are fighting today, and which are diametrically opposed to the pyramidal state structure.

Century after century, under the influence of Greece and the springs of power given to the world by Christianity, the struggle for freedom continued. Step by step the foundations of democracy were laid in readiness for the new civilisation.

One after another established tyrannies were overthrown - the tyrannical conception of kingship, the rule of witchcraft, military dictatorships and so forth.
But in the process a new and insidious power began to attack mankind and, like the snake by which it is symbolised, to use every crafty and stealthy device it could conceive to replace the ancient tyrannies. By the time of the war of 1914-1918 finance had established itself as a world power - thanks to the success with which it foisted a cruel and fraudulent system of money on a trusting world. In entrenching itself as the dominant world power, international finance used the age-old devices of all tyrannies but in more perfected forms. The war of 1914-18 was won easily, was won “hands down” by finance. We were misled into believing that Great Britain, with the Dominions, France, the U.S.A. and other Allies, had won - but it was not long before we realised that it was finance and finance alone that had benefitted. The post-war years have brought nothing but increasing suffering to all men everywhere. Poverty amidst abundance, economic disorganisation and progressive loss of security and freedom have been the common lot in every country…

But Byrne insisted:
“…. International Finance will never realise its dream of world domination … It is in such a situation that you, in Alberta, have thrown up the realities of an issue which must be fought out before civilisation can go forward. You have forced International Finance to come out into the open as the enemy of the People, and of democracy, even to the extent of resuscitating Disallowance, a remnant of feudal atrocity; and this has provided a demonstration for a startled world of the power of Finance to control even Governments, and the institutions we call democratic…”

Read full article here. The Social Crediter, Saturday, April 15, 1944 pp.5-7  https://alor.org/The%20Social%20Crediter/…/

But let us not forget some important facts:
Douglas (and his students) had learned to ‘build his house on solid rock – not on shifting sand’! He thought continuously in at least three different fields at the same time. They were: Religion/Philosophy, Practical Economics and Energy – will-to-movement.

The strategies (and practical tactics) were ‘bound back’ realistically to the fundamental nature of the universe, and of society, which are tossed and battered by succeeding waves of events – but do not founder. He was always relating to the real power structure within groups as well as to the psychology and behaviour of the people composing them.

The Social Credit techniques such as the National Dividend and Consumer Price Discount have as their objective the liberation of the human purpose. Not for these early social crediters were the Left Hemispheres of the brain dominant! No wonder Iain McGilchrist could say:

“They don’t know what they don’t know”! ***

TRIBUTE TO THE LATE STAN WOOLFORD by Jean and Doug Holmes

Stan grew up on the South Australian Eyre Peninsula at a farm in Buckleboo near Kimba where they grew wheat, and had some cattle and horses and they had to walk three miles to school. Some time later they moved down to Ungarra where the land was unkind to them. (we are not too sure of the details). When the war came he joined the army and spent time in New Guinea. After the war he worked in a paint factory in Adelaide and saved up enough money where they made the bricks themselves for the house and a builder built the house in suburban Adelaide where he lived for many years with his mother and sister.

Stan was introduced to the League by a family member and was attracted to its policies. We remember him for his untriring dedication to warning people about Communism and Fabianism, by talking to everyone he met and handing out leaflets and the On Target which he photocopied and put in letterboxes. He spent a lot of time walking round his area spreading the message. He also wrote to politicians and radio personalities.

His other interests were short wave radio and divining for water and other minerals. Stan found water for a number of people including Arnis Luks and was taken to West Australia and Eyre Peninsula finding water for a number of people including Arnis Luks and was taken to West Australia and Eyre Peninsula finding water

for farmers. His garden was his great delight, we were always amazed how he kept his garden so neat and tidy. He grew beautiful roses in the front and a small lawn and even looked after the council strip; you could recognise his house because of the metre high sunflowers which he nurtured there.

In the back he always had fruit trees and vegetables which he made into pickles, relishes, chutney and jams. He cooked for himself and his sister and made his own bread.

When Jean became interested in the pendulums Stan used for divining, he took the trouble to make her a couple and gave her instruction on how to test food and drink. He often asked us questions about the Bible and credited his prowess as God’s gift to him using the natural laws of the Universe.

About four or five years ago he fell off a ladder in the back garden and this slowed him down. He had trouble walking after that without his walker. He spent the last eighteen months or so in a nursing home where in spite of failing eyesight and hearing problems, he continued to spread the League message.

May he rest in peace and may his example be an inspiration to others.
To pick up where we left off in September’s article, if one denies any credibility to ‘hidden hand’ theories as explanations for why various things tend to go wrong politically, then it is essential that another theory or theories be put forward in its place. The alternatives to the claim that “powerful individuals and groups work together in secret to maintain and increase their influence at the expense of the common individual,” are that those who exercise power over us are invariably either angels and saints who love us, always tell us the truth, and do what is best for us, and that what we perceive as pernicious is actually good or at least the best that can be done, or that our rulers are hopeless, congenital incompetents. The systematic failure of the political, economic, and other social systems to fulfill their due ends to the extent that this fulfillment is objectively possible must therefore be due to the operation of blind forces (perhaps a hopelessly corrupted human nature?) over which neither the elite, nor we ourselves, would appear to have any meaningful control. If that is the case, then there is nothing that can ever be done to improve society and there is not much point even discussing any such matters any further. According to the cock-up theory of history and political events:

“The world is an unpredictable place. Terrible things happen, but no one is essentially to blame for them. On the whole the mathematics of chance and probability rule us, and, if we appear to be losing on black, our only course is to put our money on red. On this theory, wars, revolutions, depressions, business amalgamations, rationalisation and nationalisation, taxes and bureaucrats, are natural phenomena as inevitable as the flowers that bloom in the spring. An attitude of reverent agnosticism combined with disciplined acceptance is all we can adopt pending a codification of the ‘trends,’ which clearly require data compiled and card indexed over a long period of time. It seems inseparable from the acceptance of this theory, however, that we school ourselves to agreement with the remark, ‘Credo, quia impossibile’.”

Which sort of hypothesis is more plausible given the totality of empirical facts available to us? From Douglas’ point of view, the answer is clear:

“To suppose that it is coincidence that an identical and recognisable objective is being pursued in every great country under such varying titles and by such apparently, but only apparently, opposing forces, is to strain credulity beyond reasonable limits.”

If one wishes to do full justice to reality – regardless of the topic that is being investigated - it is of the gravest importance to neither underestimate nor overestimate the phenomenon in question. Accordingly, whenever this particular question of ‘conspiracy’ becomes the subject of reflection, the thoughtful individual will seek to follow a sensible middle-path in accordance with the available evidence and in full knowledge of his cognitive limitations. This will allow him to scrupulously avoid the error of those who become irrationally suspicious, i.e., paranoid, while, at the same time, avoiding the mistake of those who, by preferring to be complacently sceptical, refuse to call a spade a spade. To deny the reality and indeed even the possibility of conspiracy as an explanatory factor behind much of our socially-induced discontent is just as irrational, therefore, as to think that every negative thing that occurs in the world must be due to a conspiracy.

Interestingly enough, both of these extremes reinforce the power of conspirators but in opposite ways. Those who exaggerate the power of the oligarchic elites move people to despondency and inaction, while those who downplay or discount the threat leave the people in their ignorance and, what is worse, enslaved to false conceptions of reality. The two attitudes also tend to reinforce each other; i.e., the ravings of the paranoid encourage the tendency of the nonchalant to smugly dismiss any and all claims involving conspiracy, while the latter’s refusal to even admit the most evident of inconsistencies and inadequacies in the officially endorsed versions of reality can only confirm for the former that the oligarchy is very nearly omnipotent. It would appear that, of the two extremes, that occupied by the scoffer is nevertheless worse for, as many besides Douglas have acknowledged, “… the Devil never did a cleverer piece of work than when he persuaded his victims that he does not exist.”

A related objection is that Douglas’ general position on this matter is somehow simplistic and is therefore to be rejected as invalid or unsophisticated. Douglas responded to this critique by pointing out that, on the contrary, complex explanations are often the product of shallow analysis (i.e., an analysis which does not go back far enough in time), and, if they are championed as being intellectually astute, it is often because they serve the political purpose of distracting the public’s focus and thereby obscuring the real, underlying causes of a phenomenon:

“At this point, a short digression on the fashionable phrase ‘over-simplification’ seems to be desirable. It may be noticed that all really respectable comment on matters of moment is at some pains to disclaim anything of this nature, and the more complex the comment, the more certain is it to be accredited as respectable. When the explanation of any phenomenon is so complex, and takes so many factors into consideration (continued next page)
that no one of them, if subjected to modification, can be expected to produce much alteration, it can be predicted with some certainty that it will be commended as a solid contribution to the solution of world problems. “All problems are, however, just as complex as you care to make them. Let us suppose that you wish to explain the light by which you are reading. You may say that it proceeds from a heated wire enclosed in a glass bulb, which could not operate without thus and such arrangements of rubber-covered wires. Someone is sure to say that the rubber shortage will inevitably threaten your lighting system. When the supply of power from the grid fails, a considerable body of opinion will blame the Japanese invasion of Malaya and the shortage of rubber. But if you say that your light proceeds from the transformation of one kind of energy into a different manifestation of the same energy, you are not only more generally accurate, but you set up a more useful train of thought, and cut out many irrelevancies. In general, a cause is more likely to be comprehensively identified if you consider it a long way back from its effect, and the attribution of an effect to a complexity of causes is, a priori, a suggestion of a shallow analysis. It may not be, but in relation to public policy, it generally is so. Or to put the matter another way, a political effect rarely has only one immediate derivation, but it generally has one primary cause.”

THE NEW WORLD ORDER

If ‘conspiracy’ is to be admitted as a factor in our social discontents, many questions will arise naturally, one of the first being: what would be the purpose or goal of the conspirators? Douglas’ answer to that question runs as follows: the illegitimate and unjustified centralization of power on a global scale in fewer and fewer hands. This is what many people, both supporters and critics, have referred to as “The New World Order”. Given the observation that the world must operate in certain ways just so long as the individuals who compose society do not have access to effective sanctions, it should come as no surprise that there have been many attempts in world history to achieve a monopoly of effective sovereignty over the entire globe or, at least, over very large areas through empire building of various sorts. The goal of world supremacy is not a new policy-objective:

“... the idea of world monopoly is not a new one, far from it, although it has taken many forms. Practically all the world’s historical empires, beginning with the Roman Empire, although there were others before that, were attempts at world power. That was the first type of an attempt at world monopoly, the military idea. We had an attempt in that direction as late as in 1914. It was the hardly concealed objective of the German Empire to form a military world state which would be supreme. We know that failed. Another attempt along administrative lines undoubtedly was launched immediately after that in the original idea of the League of Nations, which undoubtedly contemplated the formation of something of the nature of a superior state which should lay down the law for everyone else. That never got very far, because I think its objective was early realised, and imperceptibly it merged into something else, which is undoubtedly a matter for our closest concern to-day, namely the financial hegemony of the world by a selected group of central banks, crowned by the Bank of International Settlements. That is simply the translation of the same idea into different methods, one after the other. You can see that it is a constantly recurring idea, and it recurs in different forms. I think it is extremely important to recognise it, because you can then recognise what is the connected meaning of a lot of disconnected things which are going on all over the world at the same time.”

Douglas held that the particular empire which international finance is seeking to build is the aforementioned ‘New World Order’. We are confronted with the use of the monopoly of financial power to achieve a one-world political association in the service of vested interests. Once fully established, this oligarchic regime would be characterized by:

“... a claim for the complete subjection of the individual to an objective which is externally imposed on him; which it is not necessary or even desirable that he should understand in full; and the forging of a social, industrial and political organisation which will concentrate control of policy while making effective revolt completely impossible, and leaving its originators in possession of supreme power.”

REMAKING THE WORLD IN THEIR OWN IMAGE

It would be sufficiently disquieting if the centralization of effective sovereignty to the greatest conceivable extent were being pursued by the financial oligarchy as an end in itself; it would appear, however, that the power monopolists invariably have a transcendent aim in mind: the use of this immense power (once and however acquired) to thoroughly remake the world according to how they believe it ‘ought to be’. This involves the imposition of all illegitimate sorts of controls and the removal of all sorts of legitimate protections in order to make human beings think and behave as the overlords desire. Individuals must be made fit objects for planning:

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monopoly on credit and since credit constitutes most of the private banking system as a whole, exercises a private banks. This means that the private banks, or money in the form of credit is the prerogative of the all intents and purposes, the creation and issuance of monetary aggregate at any given moment in time. For small change, as they represent 5% or less of the authority; but these merely constitute the economy’s What we normally think of as money, i.e., notes and are regarded as assets. In accordance with the principles of double-entry bookkeeping, the creation of credit generates both assets and liabilities on a bank’s books. Credit that is held on deposit in a bank, regardless of its origin via a loan, investment, or bank operating expense, is accounted as a liability, while the loan, securities, or bank property, etc., are regarded as assets. What we normally think of as money, i.e., notes and coins, are typically printed and minted by a government authority; but these merely constitute the economy’s small change, as they represent 5% or less of the monetary aggregate at any given moment in time. For all intents and purposes, the creation and issuance of money in the form of credit is the prerogative of the private banks. This means that the private banks, or the private banking system as a whole, exercises a monopoly on credit and since credit constitutes most of the money supply, this bank monopoly is a near total ‘money-monopoly’. But where is it written that all money must come into existence and be injected into the economy in this manner? What if at least some of a nation’s money supply could be created by another agency, let’s say a government or state agency, and be delivered in another form, let us say in a form that is free of debt (or the necessity of repayment) and of any other costs, i.e., in the form of ‘debt-free’ credit? The second common assumption that needs to be critically examined is the notion that the financial system is self-liquidating, i.e., that all costs that are incurred in the process of production are simultaneously distributable as incomes and that there is always enough income in consumer pockets to offset and to liquidate all of the corresponding costs, i.e., that costs and incomes are always in an automatic balance. But what if this basic assumption, sometimes referred to as Say’s law, no longer holds under modern, industrial conditions? What if some of the costs which producers must meet in order to be solvent are NOT distributable as concurrent income to consumers? What if the financial system is not self-liquidating, with the flow of costs and hence prices exceeding the flow of distributed incomes to owners, management, and workers, such that the income in people’s pockets – regardless of its origin – is not automatically sufficient to offset and to liquidate the corresponding prices?.

Perhaps the easiest way to see that the existing financial system is NOT self-liquidating is to consider that if it were, money would be borrowed from the banks, thus registering a debt, would be distributed to owners, managers, and labour in virtue of their ‘ownership’ of the various factors of production in the form of profits and/or rents, salaries, and wages, and then that income would be used to purchase the goods and services that had been made available by industry. Industry, in turn, would take these consumer payments and pay off their production loans. The circular flow would be in a perfect state of equilibrium with money and debt dynamically cancelling each other out of existence,
leaving behind a residual debt of nil. But this is not what we observe. Instead, what we see is that the debts owed to private banks tend to increase exponentially over time, as governments, businesses, and consumers are forced to borrow more and more money into existence in order to make up for the lack of cost-liquidating consumer purchasing power or income that has been distributed in the normal course of production. The economy’s circular flow can only attain equilibrium between the flow of consumer prices and the flow of consumer incomes by continually increasing society’s collective ‘mortgage’, if you will, by borrowing additional money from the banks for the purposes of distributing more incomes and profits (via additional production) and of providing increased purchasing power in the form of consumer loans.

Without the continual injection of new and additional debt-money the economy would collapse.

According to the proposals presented in the interwar years by the founder of the Social Credit movement, Major C.H. Douglas, the most effective, efficient, and just method of returning the financial system to a position of self-liquidation, wherein these massive debts are not allowed to pile up, would be to a) break the private banks’ monopoly on money creation and issuance by b) establishing a National Credit Authority, an organ of the state, to calculate the volume of ‘debt-free’ credit that is needed to balance incomes with prices and to distribute that credit directly to, or indirectly on behalf of, the consumer. This would allow the producer to recover all the costs of production with a fresh flow of adequate cost-liquidating income, leaving no residual debt behind and hence contributing nothing to an ever-increasing mountain of societal debt, while ensuring the full and easy distribution of goods and services to consumers.

The direct payment of ‘debt-free’ credit to the consumer was referred to by C.H. Douglas as a ‘National Dividend’ and it bears certain remarkable similarities to a basic income. It would be a periodic, say monthly or biweekly, payment made to each citizen of a country, regardless of employment status. Under modern, industrial conditions, it was anticipated that such a payment would at least be sufficient to meet one’s basic needs for food, clothing, shelter and so forth.

The good news about the prospect of a dividend of this type, a dividend financed via monetary reform, is that it shows that it is not at all necessary to provide a basic income by means of redistributive taxation, i.e., by robbing Peter to pay Paul, or by means of increasing government debts.

If Say’s law were correct and enough income was always automatically distributed to meet the demands of costs and prices, then yes, the only way to finance a basic income would be to take, by means of taxation, from those who have more to give to those who have less, or else for the government to borrow more money into existence to make up for the monies saved or invested by the ‘rich’.

But since Say’s law does not hold, the problem with the financial system is not so much inequitable distribution – though unjust and even obscene inequities do exist – but rather insufficient income distribution. We are not, as a community, paid enough to enable us to purchase in full what we as a community produce, while simultaneously liquidating all of the costs of production. This is the greatest inequity with which all of us should be concerned before being preoccupied with any others.

Social Credit is designed to remedy the situation. For, the financial system can either serve the public interest, the community’s common good, optimally, by enabling us to produce and deliver all of the goods and services that people need to survive and flourish, and doing this with the least amount of resource consumption and human labour, or it can serve private interests at the expense of the common good.

To some significant extent, the existing system does the latter rather than the former, and until we get it to do the former, any and all talk of reform leaves the fundamental social inequity unresolved and is therefore tantamount to re-arranging deck chairs on the Titanic instead of altering the course of the ship in a safer and more constructive direction.

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