

"All that is necessary
for the triumph of
evil is that good
men do nothing . . ."
— EDMUND BURKE



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The Individual

It is not necessary to invoke the authority of Christian philosophy (though that is unequivocal on the point) to realise that the relationship of the individual to the group is not arguable. The group exists for the benefit of the individual, in the same sense that the field exists for the benefit of the flower, or the tree for the fruit. Groups of any kind, whether called nations, business systems, or any other associative label, inevitably decay and disappear if they fail to foster a sufficient number of excellent individuals. . . It is also true that excellence involves exercise - a man does not become a good cricketer by reading books on cricket." – C. H. Douglas

YUP! HISTORY IS CONTINUOUS AND 'EITHER/OR' STRATEGY SETS THE STAGE

Once again the strategy of 'either/or' psychology was used to great advantage in the recent elections. The people were successfully divided and the main parties retained their status quo. Did Annabel Crabb, the ABC's chief political writer, have this in mind when she wrote:

"A week after Australians voted, the most surprising truth to emerge is this: not much changed. The Coalition won 78 seats; two more than it did in 2016. Labor won 67; two fewer than last time. And yet, a visitor from space could be forgiven for thinking Australia's electoral landscape had just undergone a visceral rearrangement. . ." <https://www.abc.net.au/news/2019-05-25/federal-election-morrison-shorten-history/11144516>

The Prime Minister would have some voters believe the results were 'a miracle' for the Coalition but try as I might, I cannot agree with him. The elections were the result of the planned strategy and tactics of the 'backroom boys' rather than any 'miracle' in the sense that I understand the term.

Cleavage between Will-to-Power and Will-to-Freedom

But let's refresh our memories a little: In his Introduction to the 1974 edition of C.H. Douglas' *Economic Democracy* Geoffrey Dobbs set out the historical background to C.H. Douglas' ideas and initiatives, beginning with the background to the journal *The New Age*:

"*The New Age* has an undisputed place in the cultural history of the early Twentieth Century, and it was the leading journal of the Fabian Socialists until the founding of the *New Statesman* in 1913, which marked a stage in that cleavage between the will-to-power and the will-to-freedom (*to use Douglas's terms*) which inevitably occurs, as the history of politics so clearly shows, in every movement dedicated, at the outset, to the betterment of mankind. . . .

"It must be remembered, however, that although *The New Age* was in contemporary terms a leading 'socialist' or 'progressive' journal – even '*avant garde*' in its day – the meaning of those terms has now been changed, sometimes to the point of inversion after half a century (now a century. . . *ed*) in which the world has been rushing down the other fork of the cross-roads at which Douglas and his contemporaries stood, having ignored the signpost which he set up, and having now discovered, to its bitter cost, that it has taken the wrong path. . . .

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.

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(continued from previous page) 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...

Concentration of Political and Economic Power

John W. Hughes in his book *Major Douglas: The Policy of a Philosophy* [2004] gave his readers further historical background:

“The strength of the ‘undertow’ making for a concentration of political and economic power was a Social Credit anathema; something to be fought against. Centralisation was of the Devil since the more distant the centre, the more difficult it would be to right wrongs locally. Finance and Law would conspire together to deny Britain its former right to govern itself. Hitler’s aim of a German dominated Europe was not seen as essentially different, at least in the long run, from the process of absorbing Britain which continued in the second half of the century. The spread of bureaucracy horrified Douglas on the grounds that it threatened to drive people ‘down the scale of existence’ taking away their initiative — the ‘potentially divine attribute’ — and making them numbers on a card index. Even in 1942 with the World War raging he was warning that ‘Federal Unions and the United States of Europe . . . are all directed to that end’.

Douglas way ahead of his Time

“As the more learned were to affirm, even during the most influential period there could have been few among the support who realised how revolutionary Douglas was or the particular less obvious sense in which he was ahead of his time. The debate over the theorem [A + B Theorem...ed] has diverted attention from a quite radical economic and social philosophy which was interwoven with it. In this Douglas did seem to uncover a portion of reality which is seldom given a position of priority in government thinking. It was concisely summed up by the engineer in the words:

‘Self expression of the individual is the only outcome which will make possible a perfect voluntary discipline in execution’.

“Clearly, this required the economic freedom to choose and ruled out ‘economic domination either personal or through the agency of the State’. But genuine freedom of association is scarcely found outwith the realm of amateur sport, hobbies or clubs, since although one may resign from an amateur

cricket or football team without penalisation, anyone who leaves his employment immediately subjects himself and his family to economic deprivation.

“It was not clearly seen that this was but one manifestation of those principles, then emanating from Germany, aimed at ‘the complete subjection of the individual to an objective which is externally imposed on him while making effective revolt impossible’. The cruder examples of this were evident in Russia and in the Europe of the dictators, but what is not clearly seen today is that Welfare State provision for the unemployed, hedged round with all manner of form filling, conditions and veiled threats and aimed solely at helping — in reality, harassing — the recipient back to work, also comes into the category of ‘subordinating individuality to the needs of some external organisation’ and is a long way removed from dividends as of right.

Douglas’s vision is that, by availing himself of science and mechanism, every individual becomes able, in common with his fellows, ‘to choose, with increasing freedom and complete independence, whether he will or will not assist in any project which may be placed before him’. He was not a Messianic or inspired orator. There was little of the rabble rousing, gesticulating evangelism in his addresses. On the contrary, the manner of delivery was calm and controlled, contriving through the occasional shafts of wit to create a pleasant atmosphere. Some of his uncomplicated set pieces have not dated to any appreciable extent and, in particular, there are five pieces on political strategy that are likely to remain of interest since they signposted for his followers at the time the extension of Social Credit ideas into the political field. These are:

- The Nature of Democracy (1934);
- The Approach to Reality (March 1936);
- The Tragedy of Human Effort (October 1936);
- The Policy of a Philosophy (1937) and
- Realistic Constitutionalism (1947) . . .

“His view of bankers was that they were good servants but bad masters and that the object of policy should be to elevate them to the status of good servants. He had absolute faith in his scheme and would have been prepared to take responsibility for it under those circumstances. But the government did not come running to Douglas. He was left with the Social Credit movement which dwindled in size as the thirties progressed. Never having had much time for committees and majority votes he believed the role of the support was to exert one great hue and cry for results throughout the country. Apart from a select few of those who had his confidence, he distrusted the technical expertise of many in the movement including Hargrave and Aberhart (continued next page)

(continued from previous page) “He wrote: ‘. . . the abolition of the gold standard in itself has nothing to do with Social Credit, though Social Credit demands the abolition of the gold standard. The unlimited issue of credit by banks has nothing whatsoever to do with Social Credit, although Social Credit might greatly increase the issue of credits by banks, or otherwise. The denunciation of interest (frequently accompanied by inability to distinguish between interest and dividends) does not in itself materially assist matters...

“One detects a thinly veiled rivalry between John Maynard Keynes and Major C.H. Douglas for intellectual mastery of the world of economics. It was a struggle which would end in a short span of years with world renown for one and obscurity for the other, but the outcome was not always evident. Retrospectively, Keynes’s supremacy was inevitable. With the more rigorous mind he had also the more elegant prose, charm and was a trained economist. His contacts in finance and the universities were extensive and he intellectualised the demand to make economics into a science of ‘make work’.

Douglas was rather scathingly dismissed in a few throwaway passages in the *General Theory*. A study of his later writings suggests that Douglas, in turn, in no way considered Keynes’s proposals sound even many years afterwards when they had virtually gained universal acceptance.

“On March 4” 1950, two years before his death, a somewhat sombre Douglas, still writing for his, by then, small cult following, summed up his views on the relationship of Keynes’s writings to his own: To anyone closely in touch with affairs in the ten years before the outbreak of the second phase of the war, it was obvious that Keynes, and the Keynesian distortion of the Social Credit Thesis, were the Financiers’ answer to the attack on the Banks. Lord Keynes was an able man, and he was furnished with the best assistance unlimited money could provide; and the Keynesian Proposals for Deficit Spending, by which the under distribution of purchasing power disclosed by the A + B Theorem, and rather cleverly admitted by Keynes, was paralleled by money issued to finance Public Works which were not for sale (the current British equivalent being the wages, salaries and dividends paid in respect of Exports which cannot be bought; these, however, serving as a tax on the whole community equivalent to coin clipping) were a brilliantly devised trick to put the population permanently to work for Lord Keynes’s employers.

“Douglas was immensely prophetic. It is probably because so many of his prophecies are now the commonplaces of history that the original predictions and projections, made in a completely different era, are over-looked.

- In the early category would be the rejection of the gold standard long before its eventual abandonment.
- There would be the prediction of the economic collapse of Soviet Communism at a time when thousands were extolling its merits.
- His criticisms relating to the financial assistance given to totalitarian powers — which then backfires on the donors — periodically erupts from the mouths of other critics who have never heard of Douglas.
- As to his core economic theorem, its main thrust could be, and was, adapted or perverted, depending on the perception, into Keynesian orthodoxy.
- More interesting today might be Douglas’s warnings relating to a sell-out to an all pervasive centralised bureaucracy.
- As to methods of exerting political pressure on governments, his urgings against new political party formation often went unheeded by would-be political careerists, and the fact that the new parties would be of little avail had to be learned the hard way at successive intervals since his time.
- Conversely, elements of the methods of the Electoral Campaign in the shape of single issue politics often had conspicuous success.

Correct Principles have to be Incarnated

“What were those mechanisms in which the principles would have to be incarnated? In politics Douglas had been clear that the nature of genuine democracy lay in the right to choose one thing at a time and thus, to be made incarnate — i.e. made flesh — would require the contracting out mechanisms of Social Credit political theory upon which he and his followers had been working;

- the Responsible Vote,
- the Civil Service of Policy and
- the Voters’ Veto.

Otherwise the right to choose one thing at a time would be frustrated by the ‘packages’ offered at elections by conventional politics. It was no accident, therefore, that his final speech at Brown’s Hotel in Mayfair in 1947 had been on the subject of Constitutionalism.

- When one turned to the area of economics the concept of the ‘unearned increment of association’ could be linked to Christ’s assertions in the famous passage relating to the lilies of the field and the idea of dividends rationalised in Christian terms by reference to it.
- As to the Just Price concept, it had a respectable antiquity going back to the mediaeval period, but original to Douglas was his method of computing it through integral calculus derived, in turn, from the concept that the cost of production is consumption.

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- In economics there was the view that new technology would render suitable wage employment increasingly difficult and, because consumption had been made a function of production, personal income would become dependent on growth-driven, seemingly spurious, technologies — i.e. ‘star wars’, space probes, car factories etc. — whether needed or not.
- The rewards for those involved, that is, for the ‘functionally aristocratic hierarchy of producers’, would be great but a chasm would begin to separate them from the ‘democracy of consumers’.
- Implicit in Douglas is the belief that the cultural inheritance and the increment of association are communal property, and he gave ringing endorsement to the rationalisation of unearned income as of right, even, as has been seen, to the extent of justifying it on religious grounds.
- He did not dispute the fact that excessive capital production, often aimed more at delivering pay packets than at directly meeting real needs — space satellites being the 21st century’s equivalent of Ruskin’s ‘bulbs’ — whilst not necessarily ministering to greater personal freedom, nevertheless accessed

THE MASTER BETRAYED by Betty Luks

In *The Master and his Emissary* Iain McGilchrist summed up his studies of the important differences in the left and right hemispheres of the brain by outlining the drives behind the differences and what we should expect to see should the left hemisphere dominate. Iain McGilchrist is a former Consultant Psychiatrist and Clinical Director of the Bethlehem Royal & Maudsley Hospital, London. The following has been ‘cherry picked’ from his great work.

Should the Left Hemisphere of the Brain Dominate:

We could expect, that there would be a loss of the broader picture and a substitution of a more narrowly focussed, restricted, but detailed, view of the world, making it perhaps difficult to maintain a coherent overview.

The broader picture would in any case be disregarded, because it would lack the appearance of clarity and certainty which the left hemisphere craves.

In general the ‘bits’ of anything the parts into which it could be disassembled, would come to seem more important, more likely to lead to knowledge and understanding than the whole, which would come to be seen as no more than the sum of the parts.

Ever more narrowly focussed attention would lead to an increasing specialisation and technicalising of knowledge. This in turn would promote the substitution of information, and information gathering, for knowledge, which comes through experience.

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large credits which would allow the system to continue.

The engineer had been prone to give warnings and was a prophet of doom on several occasions. He foresaw war if existing methods continued and in the address at Swanwick in 1924 he seemed not only to be foretelling the future but glimpsing further ahead. There would be a world cataclysm brought on by the straining to export, and the remnants of the world’s population would probably be reduced to the meagre production of the Middle Ages. But as Europe increasingly devised methods of rationing or sharing out trade, Douglas increasingly turned to the political sphere, rather than the economic, when giving reasons for the doom prophecy.

In December 1938, he wrote:

The answer, then, to ‘Will there be war?’ is ‘Yes’.

There will be war after war until civilisation is destroyed — unless power and responsibility are once again reunited in the individual. The Second World War lay ahead but one wonders if this article was intended as more long-term prophecy. In his final speech *Realistic Constitutionalism* in 1947 he affirmed that ‘centralisation is the essence of war’ and the holders of such a mandate would always turn to war if their power over their people was called into question. ***

The concepts of skill and judgment, once considered the summit of human achievement, but which come only slowly and silently with the business of living, would be discarded in favour of quantifiable and repeatable processes.

Expertise, which is what actually makes an expert (Latin *expertus*, ‘one who is experienced’), would be replaced by ‘expert’ knowledge that would have in fact to be based on theory, and in general one would expect a tendency increasingly to replace the concrete with the theoretical or abstract, which would come to seem more convincing. Skills themselves would be reduced to algorithmic procedures which could be drawn up, and even if necessary regulated, by administrators, since without that the mistrustful tendencies of the left hemisphere could not be certain that these nebulous ‘skills’ were being evenly and ‘correctly’ applied.

There would be an increase in both abstraction and reification*, whereby the body itself and we ourselves, as well as the material world, and the works made to understand it, would become simultaneously more conceptual as mere things.

[* *Reification is when you think of or treat something abstract as a physical thing. . . This can be a way of making something concrete and easier to understand, like how a wedding ring is the reification of a couple’s love. However, reification is often considered a sign that someone is thinking illogically.]* (continued next page)

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The world as a whole would become more virtualised, [virtual reality] experience of it would be increasingly through meta-representations of one kind or another; fewer people would find themselves doing work involving anything in the real, 'lived' world, rather than with plans, strategies, management and bureaucratic procedures.

In fact, more and more come to be overtaken by the meta-process of documenting or justifying what one was doing or supposed to be doing — at the expense of the real job world.

Technology would flourish, as an expression of the left hemisphere desire to manipulate and control the world for its own pleasure, but it would be accompanied by a vast expansion of bureaucracy, systems of abstraction and control.

The essential elements of bureaucracy, as described by Peter Berger and his colleagues show that they would thrive in a world by the left hemisphere.

The authors list them as: the necessity of procedures that are known, and in principle knowable; anonymity; organisability; predictability; a concept of justice that is reduced to mere equality; and explicit abstraction.

There is a complete loss of the sense of uniqueness. All of these features are identifiable as facilitated by the left hemisphere.

So much for the tendencies towards abstraction. But there would also be tendencies towards reification.

AUSTRALIAN LEADER'S 'MIRACLE' WIN IS GOOD NEWS FOR ISRAEL by Betty Luks

"Good" thought I, upon reading the headlines on michaelsmithnews.com. "We can now expect the Liberals to undo the harm done to such Christian men as Israel Folau and Bernard Gaynor through the PC 'human rights' legislation. But no, the article referred to Scott Morrison's and the Liberals stance on the nation of Israel.

Michael Smith reported: "In October, Canberra joined the U.S. and Israel as the only ones to vote against the Palestinian Authority chairing the Group of 77, the biggest bloc of nations in the UN. And in November, it voted "no" on six anti-Israel resolutions put forward at the General Assembly..."

But we'll leave the nation of Israel at this point because this article is more about Liberal stated policies and what is actually happening in this nation. The following is taken from their stated 'Beliefs':

We Believe:

- In the inalienable rights and freedoms of all peoples; and we work towards a lean government that minimises interference in our daily lives; and maximises individual and private sector initiative.
- In government that nurtures and encourages its citizens through incentive, rather than putting limits on people through the punishing disincentives of

Increasingly the living would be modelled on the mechanical. This would also have effects on the way the bureaucracies would deal with human situations and with society at large. When we deal with a machine there are three things we want to know: how much it can do, how fast it can do it and with what degree of precision. These qualities summarise what distinguishes a good machine from a bad one: it is more productive, faster and more precise than a less good one. However, changes in scale, speed and precision in the real world all change the quality of the experience, and the ways in which we interact with one another: increasing them no longer gives a clearly positive outcome – it can even be very damaging. In human affairs, increasing the amount or extent of something, or the speed with which something happens, or the inflexible precision with which it is conceived or applied, can actually destroy.

But since the left hemisphere is the hemisphere of *What*, quantity would be the only criterion it would understand. The right hemisphere's appreciation of *How (Quality)* would be lost. As a result considerations of quantity might come actually to replace considerations of quality altogether, and without the majority of people being aware that anything had happened. . . ."

Gentle reader, do you now understand why I have presented material from Dr. McGilchrist's book? There is much that social crediters can relate to. ***

burdensome taxes and the stifling structures of Labor's corporate state and bureaucratic red tape.

- In those most basic freedoms of parliamentary democracy - the freedom of thought, worship, speech and association.
- In a just and humane society in which the importance of the family and the role of law and justice is maintained.
- In equal opportunity for all Australians; and the encouragement and facilitation of wealth so that all may enjoy the highest possible standards of living, health, education and social justice.
- That, wherever possible, government should not compete with an efficient private sector; and that businesses and individuals - not government - are the true creators of wealth and employment.
- In preserving Australia's natural beauty and the environment for future generations.
- That our nation has a constructive role to play in maintaining world peace and democracy through alliance with other free nations.
- In short, we simply believe in individual freedom and free enterprise; and if you share this belief, then ours is the Party for you.

Source: <https://www.liberal.org.au/our-beliefs> (continued on next page)

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But wait a minute, they cover their backs with the following qualification:

Liberals espouse a wide array of views depending on their understanding of these principles,

(remember John Howard spoke of the Liberal Party as being ‘a broad church’?) but they generally support

limited government, individual rights (including civil rights and human rights), capitalism (free markets), democracy, secularism, gender equality, racial equality, internationalism, freedom of speech ...” [emphasis added...ed]

Welcome to this Alice in Wonderland world we now live in. Words now mean what the politicians say they mean!

THE CHRISTIAN PHILOSOPHY

*Only in souls the Christ is brought to birth,
And there He lives and dies.*

“It (the Christian philosophy) was expressed by another New England thinker, Henry Ward Beecher: ‘Christ did not die for laws or governments. He did not die to build a nation up. He died for men, the separate souls of men’.

The crux of the whole Christian philosophy is that the Supreme Being (the Power above the State so violently denied by the totalitarians) does actually meet and communicate with the spirit of man, in his inner personal life; or as St. Augustine put it; “God stoops to man that man may rise to God.

It is the eternal Vine, which gives the life and value to the branches; and it is a value that belongs only to the personal life, which is individual; to each living separate soul, not to institutions or committees or clubs, or cabinets, or governments, or states,

The State was made for man, not man for the State. The State may be immensely useful to the individual men who have made it but it did not make men, and it may be harmful to them.

“No philosopher, even in this mad world, has yet maintained that the State was destined for Eternal Life. But the greatest of all philosophies has maintained, rightly or wrongly, for two thousand years, that the individual human soul is immeasurable because it is capable of rising to communion with God and ‘enjoying him for ever’.

This is the proposition upon which Christendom was founded, and it is the only proposition upon which we can guard the otherwise quite arbitrary claims to the great charters of human freedom.”

– Alfred Noyes in *The Edge of the Abyss*, 1880-1958.

SOCIAL CREDIT: THE BASIC PRINCIPLES By M. Oliver Heydorn Ph.D.

C.H. Douglas was a British engineer who, in the 1920s, founded an international movement for monetary reform centred on his ideas which were known as “Social Credit”.

Now, I must be clear that the Social Credit we are talking about here has nothing to do with the totalitarian surveillance system that has just been introduced by the Chinese government. For some strange reason, the Chinese have decided to call it ‘Social Credit’, and this has created a problem. Whenever we Social Crediters talk to people about Douglas Social Credit, real Social Credit, very often people will confuse it with this Chinese programme. That’s unfortunate.

During his life, Douglas had published several books and articles, had given innumerable speeches, had spoken before government committees in Canada, the United Kingdom, and New Zealand, and also before the King of Norway. In Canada we had Social Credit governments in British Columbia and Alberta that lasted for decades. Unfortunately, any attempt to introduce Social Credit or any aspect of it was thwarted by the federal government, the courts, the governors, or the imperial government in London, with the argument that, according to the terms of the British North American

Act, these provincial governments had no jurisdiction over banking. Even so, there were, in the early Sixties, thirty or so Social Credit members in the House of Commons in Ottawa. Social Credit has had a long and involved history, especially here in Canada.

But today, if we talk about Social Credit with anyone younger than 60 or 50 years old, chances are that either they do not know anything about Social Credit, or they will immediately think about the Chinese experiment.

Personally, I believe that Douglas has some rather important things to contribute to the discussion of monetary and economic reform and that is why I have dedicated my life, in fact, to the study of Douglas and the dissemination of his ideas.

Part I: The Diagnosis of Social Credit

To fully understand Social Credit, one must first understand Douglas’ philosophical point of view. According to his vision of the world, the economy has a distinct purpose, and its goal is to produce the goods and services that people need with the least amount of effort in terms of human labour and resource use. So, the correct purpose of the economy should serve as our starting point in approaching the issue of economic

functionality.

Douglas says, and this is exactly what we can see around us ourselves, that, from a physical or realistic point of view, our economies are not fulfilling that goal; they are failing to one degree or another.

And we can summarize this failure in three sentences:

1. "Poverty in the midst of plenty" ... that is to say, although there are enough goods and services, or could be enough, to satisfy all the necessary needs of human beings, there are many people who suffer privation.
2. "Servility instead of freedom" ... that is to say, although we could, in the West anyway, provide these necessary goods and services with fewer and fewer people working in the formal economy (thanks to technological advances), we continue to insist on a policy of full employment (structurally and culturally) when we could and should be enjoying more free time.
3. "Waste instead of efficiency" ... that is, although we could satisfy the needs for goods and services in a much more direct and easy way, using less of our productive capacity (relative to any particular production program), we produce many things that would not be desired by the 'independent' consumer. And you can imagine the effect of such waste on the environment!

And so, we can ask the question: what is responsible for the failure of the economy?

According to the analysis, Douglas's diagnosis, that which prevents the economy from achieving its goal to the extent that it is physically possible, is finance, that is, the financial system.

And what is the problem with the financial system? In a word, the financial system that governs us today is not an honest system. That is, it is not designed to provide an accurate picture either of our physical ability to produce wealth or of the flow of real wealth.

The financial veneer that the system imposes gives us the impression that we are physically poorer than we actually are, that there is a real scarcity of things that we need and, as a result, economic life is much harder in one way or another, than the physical facts of the economy would necessitate.

Well, this financial lens that limits, conditions, and poorly directs our economic activities manifests itself in two main ways: at the level of production and at the level of consumption. To better understand these two dimensions, we will ask two questions that will allow us to better orient ourselves. But before doing that, there are some other things that must be recognized:

First, there are two sides involved in modern economic activity: the physical or real side, which consists of the materials, machines, human labour, know-how, i.e., all the economic resources that exist in the world independently of the human mind and through

which alone goods and services can be produced.

And, on the other hand, there is the financial side, which is a completely virtual reality, a fabrication of human beings that exists only in their heads and in their records. But ... and that's the most significant thing, the financial system nevertheless determines the monetary rules according to which the economic game must be played.

Second, the financial system itself incorporates two flows of credit or money: the flow of credit to producers, and the flow of credit to consumers.

So, let's look at the first question. It deals with the relationship between the financial system and the physical side of the economy that relates to production:

"Under the current financial system, is the flow of credit to producers sufficient to catalyze the production of all productive capacity?"

The answer of Social Credit, of the Social Crediters, is 'No'. What does that mean exactly? It means that it happens very often that there is, on the one hand, a legitimate need on the part of the people for some good or service, and, at the same time, there is, on the other hand, the physical resources, materials, work, machines, know-how to satisfy this need ... and yet, the production is not accomplished simply for lack of money.

This problem of artificially limited production is a great problem for the developing countries, but it is also a problem for the so-called developed countries.

In Canada, for example, it is often the case that people who need certain health services, MRI scans or CT scans, or certain types of surgery, cannot get them in time because of lack of money in the health system ... not because there are no additional pieces of equipment that could be purchased, or no additional surgeons that could be hired or trained.

And now for the second question, which is a question about the relationship between the financial system and the physical side of the economy that is concerned with consumption:

"If we produce a certain volume of goods or services, are we *automatically* (and this is the key word) paid, as consumers, enough money in the form of income to ensure the full distribution of these goods and services (i.e., the sale of all goods and services) and the final liquidation of all corresponding production costs?"

And again, according to Douglas' analysis, the answer to this second question is also 'no'.

There are many cases, for example, where people, considered globally, do not have enough income to buy what is offered to them. Therefore, if they want to buy, they have to borrow to buy, which usually involves borrowing new money from the private banking system to supplement the revenue stream.

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(continued from previous page) Finance is also, therefore, an artificial limitation on our ability to consume what we produce.

We thus see that, in the field of production, the actualization of the physical productive capacity of the economy is dependent on an insufficient flow of credit to the producer and the same applies in the field of consumption: the distribution of the flow of real wealth and the liquidation of its costs is also dependent on a flow of consumer credit in the form of insufficient revenues.

The two artificial constraints are intertwined because if you cannot easily sell all the goods you produce, there is no basis for further increasing the flow of production credit in order to increase the desired production of goods and services.

Summary of the General Problem with the Economy

So instead of having a financial system that simply reflects, in a one-for-one correspondence, the production capacity and the flow of real wealth, we have a financial system that systematically underestimates them and that transforms money into a 'rare commodity' and finance into the determining factor. The symbol of our wealth, and of our ability to produce it, becomes more important than the reality of our wealth. And finance, as an institution, becomes master instead of servant, because, in order to overcome the artificial shortcomings and constraints that finance creates, we must appeal to finance on its terms and in accordance with its interests. This artificially induced dependence reverses the order that ought to exist between the financial system and the physical or real economy.

In sum, the financial system is not a humble servant of the physical economy, what we need, and what we want to do with the physical economy, instead, the physical economy, the real economy, is subordinated to the financial representation of the real economy. And that's the general problem with the economy. If we were to imagine a dog representing the real economy and its tail representing the financial system, the current financial system, because it is structurally dishonest, allows the financial tail to shake the dog of the real economy. But this is a complete perversion of the due or correct order, the order required for healthy functioning. In this order, the dog of the real economy is master of the situation, the financial system is subordinated to it and the dog stirs the financial tail as, when, and where required. ***

(Article will be continued next month.)

BEQUESTS

We have received some interest from those wishing to remember the League in their Will. Information providing details of the most appropriate way to do this is available from Head Office in Adelaide. - ND

OUR POLICY

To promote service to the Christian revelation of God, loyalty to the Australian Constitutional Monarchy, and maximum co-operation between subjects of the Crown Commonwealth of Nations.

To defend the free Society and its institutions -- private property, consumer control of production through genuine competitive enterprise, and limited decentralised government.

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