The Inequitable Dichotomy

One of the first "new words" that university students are expected to assimilate is "dichotomy", which means, literally, a cutting in two. The term is regularly on the lips of the learned, often as a refuge from stating anything specific. In this, it is like "ambiguity"--another word popularly purveyed by progressive pedagogues. In fact, at a lecture on Shakespeare's Richard II which I attended recently, the question was raised why the "point" of the play was not clear. "Because it would destroy the ambiguity," a well-trained student replied. The professor was obviously delighted with the reply. Presumably, the highest compliment that can be paid to something is to call it "ambiguous".

The modishness of these words is not the consequence of mere sloppiness; if it were, it could profitably be ignored. However, it is a reflection (often subconscious) of a pervasive philosophical position--namely, that reality is divided against itself, and that any integrated or unambiguous body of belief or thought is invalid. In other words, the reliance upon epithets like "dichotomy" and "ambiguity" to describe almost anything implies that there are no answers--that questions must persist as questions, that no resolution is possible, or even desirable. At another level, the conception of reality as internally divided leads to the belief that progress results from the conflict of opposites, from antagonism.

This issue was crystallized lately in the reply given by Prime Minister Trudeau to a reporter who asked him whether the denial by the Anti-Inflation Review Board of a twenty-five per cent salary increase to Hamilton teachers and the approval of a thirty-eight per cent raise for postal workers did not represent "an inequitable dichotomy". The Prime Minister said: "Well, dichotomy is the essence of the modern world, you see. On the one hand, on the other, and all dichotomies always tend towards one conclusion, a synthesis of the opposing thesis and the antithesis". This exchange is reported, but not commented on, by Don Sellar and James Ferrabee of Southam News Services.

The silence of these writers is interesting. For one thing, Trudeau's statement is a blatant assertion of allegiance to the Marxist philosophy of dialectical materialism--the description of economic phenomena in terms of the thesis-antithesis relationship. He could not have declared more "unambiguously" his belief in the proposition that progress is the consequence of antagonism.

A consideration of this specific conflict makes the Prime Minister's declaration even more noteworthy. Marxists are wont to disclaim the operation of human will in events: they speak of "historical necessity" and "the inevitability of the class struggle". But what is the cause of the "dichotomy" to which Trudeau refers? According to the report, it is on the one hand the Anti-Inflation Review Board and on the other the cabinet. In short, economic inevitability has nothing to do with it; government policy, which resides in the wills of men, is the proximate and alterable cause of this particular "dichotomy", division, or split.

Conflict, the Prime Minister says, is the way to progress. Therefore, let us see to it that the conditions of conflict are maintained; let us create and foster as many "inequitable dichotomies" as possible--and await the good that must emerge. Having established the "contradictions" that will be the basis for continued resentment and opposition, the Prime Minister no doubt anticipates that the "synthesis" which will "develop" (almost spontaneous, look you) will be even more "massive interference" by the state in the lives of persons.
Our Policy

SEED aspires to fulfill a unique role transcending the functions of other magazines and journals. Our purpose is neither to propagandize in the sense of promoting some fixed point of view or body of thought nor merely to comment on current events.

Our partisanship does not extend beyond two considerations. Firstly, we believe that reality does exist: it is not a matter of opinion and will assert its authority over all opinions that contradict it. All sanctions reside in reality: opinion has none. Secondly, we believe in the desirability of extending human freedom. Genuine freedom is contingent upon our comprehension of reality, since to the extent that men disregard reality, they court personal and social disaster.

In other words, far from conforming to the modern view that value judgments are to be avoided, SEED will intentionally consist of a succession of value judgments, which will constitute the principal criterion of its success. Men cannot approach truth without rigorous formation of value judgments and perfecting of definitions. Discovery and refinement of the correct principles for human action and association will be the focus of our attention within the field of reality. If we carry our investigation of the nature of reality far enough, we shall illuminate the way to the formulation of sound policy.

We have no delusions about the facility of the course on which we are embarking. It is possibly the most difficult course open to us. However, its value should be proportional to the efforts it requires. If the distractions to intelligence and will which characterize contemporary society are, as we believe them to be, fundamentally unsatisfying, we are confident that some seekers of truth will involve themselves in the experiment that SEED represents. Such persons are the only ones capable of responding to such an experiment.

We approach our undertaking in the spirit of making an offering that will call forth latent creative capacities. If the ideas that SEED disseminates have validity and settle in good soil, they will grow. Moreover, their growth will be progressive and cumulative. SEED will serve as a medium permitting the cross-fertilization of adventurous intellects, thereby diminishing the effects of the entropic phenomena that paralyzes development by compelling men to struggle to find truths that they have lost sight of and had to rediscover repeatedly during the past.

If our project is conducted correctly, it will at least generate a new conceptual vigour among a segment of the community — and perhaps even result in the formation of new men.

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Filling Our Days

Figures published in Executive magazine early last year give a breakdown of employment in Canada in terms of 21 major occupations involving 9.7 million persons. The data, which were compiled initially by Statistics Canada, confirm a number of the foremost contentions presented in Seed during the past two years.

In the first place, that all people should normally be susceptible to pigeon-holing in terms of employment to justify entitlement to livelihood is implicit in the publication of the information. In this connection, we observe that “prostitution” is not listed among the 21 categories—a regrettable lapse considering that the trade certainly applies to them all and probably pre-dominates in some of the larger ones.

“Forces” in Society

However, that government statistics should exult over the onerousness of Adam’s curse is hardly surprising. The very terminology employed in such documents seems calculated to conjure up images of a population in common harness, working together to achieve some sovereign (if unspecified) goal. Consider, for example, the implications of a phrase like “labour force”—the general term for the persons grouped under the 21 job classifications. With respect to the organization of human society, the noun “force” is associated chiefly with two structures: one in the military and the other is the police. In both cases, the concepts evoked include rigid external discipline, regimentation, and submission to commands emanating from a control centre.

Of course, some societies have exhibited these characteristics. Nazism and Fascism operated this way; Communism still does. It seems to come quite naturally to the Japanese and presidents of the Canadian Manufacturers Association.

Citizen and State

But, unfortunately for those who advocate our following the example of rigorous state planners in other countries, we are not yet entirely severed from philosophical roots reaching back to a Christian culture which generated the revolutionary principle that the
Inflation: Technique of Tyranny

The following article, an abridgement of a series of talks broadcast on the program *Interchange* on CKUA radio, Edmonton, examines not only the political implications of inflation, but also the basic financial cause of this problem and the technical adjustments necessary to its solution.

Inflation of prices is without doubt the most serious threat to Western civilization and the free society. One is compelled to wonder why an effective solution to the problem seems so elusive and remote. There are several reasons for this: (1) Too many people accept the superficial, naive— and often malicious—argument that human greed and envy are the root cause of the rising price level, a view encouraged by those who hope to gain from social strife or those too intellectually lazy to pursue the subject further. (2) The entire subject of economics seems so technical and complex that the average person is deterred from exploring the field. (3) Many people tend to accept, fatalistically, that inflation is a natural occurrence and has, therefore, a characteristic of inevitability. (4) Most people do not realize that inflation is a deliberate policy exercised through the instrument of finance— a policy that stems from a specific philosophy of life and which is designed specifically to achieve political and economic goals compatible with this philosophy.

Clarifying the Issue

The objectives of this presentation are: (1) emphatically to reject the simple, and essentially uncharitable, notion that the basic cause of inflation is general, pervasive human avarice. An objective examination of the claims of overall labor, capital, and consumer sectors of the economy reveals that each has a perfectly valid complaint— that each is increasingly unable to meet its costs with the passage of time; (2) to deny that the fundamental financial, economic and philosophical concepts necessary for the reversal of inflation are beyond the understanding of the average citizen— but to point out that the prevailing political and economic powers of society are, for certain policy reasons, not eager to engender a widespread and correct understanding of these concepts by the public; (3) to deny flatly that the accelerating global inflation which is afflicting the world with increasing instability is either inevitable or the result of natural cause. It is, in fact, due to a demonstrable human attempt to violate natural law— by the use of financial policy— in the sphere of politics and economics; (4) and, finally, to impart to the reader an awareness that the essential philosophy from which the deliberate, planned policy of inflation derives is actually the motivating ideological force behind the entire world system embracing both monopoly finance-capitalist and socialist-communist sectors of the globe.

This philosophy accepts a concept of human life which attempts to justify and accelerate the centralization of economic and political power, which process progressively removes from the individual the opportunity and right to develop through exercise of free choice and to seek his own destiny. It can only effectively suppress the efflorescence of genuine culture and sabotage the emergence of that high level of civilization which is potentially realizable for man upon this planet— and which has, heretofore, been denied man through the imposition of a faulty financial economic system whose operative principles have been predicated upon an unrealistic, perverse, and not accidentally, anti-Christian philosophy.

In summary, the claim is hereby made that the fundamental, core cause of inflation in the modern world inheres in a technical flaw in the financial price-system. This flaw is the result of a faulty system of finance— a system consciously perpetuated to achieve policy results based upon a false and dangerous philosophy of human life and purpose. Hence, the disastrous results that we are reaping.

The Choice of Policy

In politics and economics, there are two basically incompatible policy alternatives: (1) centralization of power and wealth; (2) decentralization of power and wealth. The philosophy which leads to centralizing policy promotes central planning and direction of human action and purpose. Human reason— regarded as the special prerogative of a select few— is elevated above natural law, and freedom of choice and association are viewed with suspicion. The right and responsibility
of the individual to seek and shape his own self-development and destiny are denied. External coercion is justified in the so-called "interest" of the "social good"—and is exercised by those few who see themselves ordained by superior intelligence to dominate others. Societal degeneration inevitably ensues and tyranny is the end result.

The policy of decentralization flows from the essentially Christian concept that natural or Divine law transcends human reason and that the realistic basis for human relationships resides in responsible free choice and freedom of association for the individual. The philosophy of decentralization regards individual self-development achieved through internal self-discipline and free choice as the highest purpose of human life. The individual can develop only through freedom to exercise his will by choice—and only through the developed individual can genuine culture and civilization be achieved.

Make no mistake: inflation serves and is essential to the policy of centralization. By generating social instability and preventing economic independence, it makes the individual increasingly dependent upon government and other power-centralizing institutions such as finance, industry, and labor unions. Similarly, inflation renders nations themselves less and less independent—driving them in vain hope to seek a resolution of their problems in the sterile but beguiling vision of a World Federation.

The policy of decentralization would be served by decreasing price levels accompanied by widespread distribution of abundance and leisure. Such conditions are regarded, however, as anathema by the large financiers and central planners who identify individual independence as a threat to their growing control over society—intended to culminate in a World State, the ultimate utopian creation of their own self-assumed superior intelligence.

We need not be mystified by their lack of effective action to reverse the rising tide of price-levels. Let us not labor under the delusion that financial enlightenment and emancipation will emanate from ultra-internationalist financial interests such as the Rothschilds—or the Rockefellers, longtime generous financial benefactors of communism, of whom President Ford has been a reliable servant.

The Primary Cause

The prime cause, which must be distinguished from secondary or derivative causes, of inflation is not, as is usually alleged, human greed leading to class conflict, that is, conflict between capital, labor, and consumers, but is technical in nature. Both this cause and its technical solution are, essentially, quite simple and well understood by those who derive immense power from the existing financial system. Probably the greatest marvel of the modern age is the success which Finance has enjoyed in making this matter obscure to the general public.

To achieve a realistic understanding of inflation, we must first recognize that inflation is actually a monetary and accountancy violation of the natural law of cost.

There exist two valid measures of real, as distinct from financial, cost: (1) technological efficiency, which has increased geometrically over the decades; (2) the ratio of total national production to consumption, which has similarly increased, as evidenced by the enormous accumulation of real assets around us. Bearing in mind the fundamental axiom that the true cost of production is consumption, we observe the anomaly of actual physical costs being steadily reduced while financial prices have accelerated upward. Financial price fails accurately to reflect real cost.

Our present salary or wage incomes are a cost of goods not yet completed. Will these incomes be available to meet the cost of these products when they emerge on the market? They cannot be. Our current incomes are rapidly being spent to meet the current cost of living. They are spent and cancelled when business repays its bank loans or restores its working capital—and will only be reissued for entirely new production carrying a whole additional set of costs. The incomes released in a given cycle of production cannot liquidate the financial costs generated in that same cycle; these incomes are prematurely cancelled. The price-system is not self-liquidating.

Money is issued from business reserves or created as debt via bank loans for production. If this money is paid out during production as income and used in turn to buy the product, it is put back to reserve or cancelled on consumption. The cycle is complete.

(continued p. 6)
Postulates of Policy

There are two bridges to cross in the attainment of any goal. One is the determination of what the goal is; the other, the selection of the means to reach it. The terms used to describe these separate elements of action are 'policy' and 'administration'. It is certain that failure to maintain a distinction between them in our thinking is responsible for making much of the good will in the world ineffectual. For people who start out with a clear, worthy purpose to lose track of it completely as a result of becoming entangled in the details of its accomplishment is, unfortunately, all too common. The simplicity of policy is easily obscured by the complexities of administration, and this circumstance lends itself to anti-social use. If a man who does not understand the difference between policy and administration can get into the position where nothing but the latter occupies his mind, he will be effectively disarmed in so far as his ability to alter the direction of events is concerned.

Such deliberate obfuscation is a regular ingredient of management technique. Therefore, it is all the more surprising that a recent article in Optimum, a quarterly "forum for management" containing contributions by the most highly placed government officials, and others, cuts without compromise or deviation to the very heart of the policy that, more than any other, currently governs our lives. Admittedly, the author is directing his observations to persons at the apex of the management pyramid, rather than a general audience; but the explicit statements he has made are unusual under any circumstances.

Assumptions of Social Management

The author in question is Robert Vaison, formerly a research analyst with the Bank of Canada, now assistant professor of political studies at Mount St. Vincent University. He lists the following as "core assumptions" of "many management theorists and most corporate managers, and indeed ... public administrators:"

(1) "Work is conceived as the essential and even divinely ordained activity of man. ... We realize our social identity through our work; we are what we work at."

(2) "Work is basically not supposed to be fun or enjoyable. People have to be paid or cajoled (by various human relations experts) into working."

(3) "The more one is paid, the better, or more successful, one is. We are what we earn."

(4) "The need to keep most people relatively poor, or alternately the need to constantly keep material expectations (needs) rising. This in turn naturally forces most people to have to work to make ends meet."

(5) "Most people unconsciously live the Peter Principle. To go higher is a goal in and of itself."

(6) "People in the organization must be made to feel they count, have a voice. This might be achieved in a crude way by grievance boxes. ... In the larger society this manifests itself in the structures and processes of Parliamentary democracy."

(6) "The view that, ceteris paribus, it is advisable to let the private sector do the job."

Coherent Analysis Required

The last of these contentions would be difficult to sustain, and the dismissal of the significance of Parliament does not adequately consider its history, but otherwise none of Professor Vaison's points is liable to serious refutation. His summary of the thinking behind current economic and political policies is one of the most perceptive and forthright we have encountered. There are undeniable connections among the concentration of power, the subjecting of all and sundry to central direction under the slogan of "full employment", the universal encouragement of the virtues of judging and envying others, and the maintenance of a few values to ensure that the frustration of the prisoners of the system will be vented in ways that will not endanger its ground rules. Yet very few analyses relate these matters in a coherent way: that Professor Vaison has done so is what gives his article its extraordinary value.

Evidently, our position will be quite hopeless as long as we do not comprehend the real nature of the policies which are issuing everywhere in discontent and fear. Only the kind of candour and realism displayed by Professor Vaison can indicate the point from which any genuine alternative policies must depart — and a much more widespread practice of these traits will have to be forthcoming before any change for the better can be expected.

R.E.K.

But, if any of this income is first saved and reinvested in capital production—as it must be—a portion of the original goods cannot be purchased until this money is paid out in the course of the capital production. When these incomes are ultimately used to purchase the remaining original goods, they are cancelled as purchasing-power, leaving the community with no money—but in possession only of physical capital assets. To operate this capital for further production, then, money must be acquired as debt via bank loans. Part of this money is paid out as incomes in respect of the new production, becoming a cost to be entered into its market price. But, in addition to these operating, i.e., labor, costs (which do release incomes)—and this is the crucial point—the cost of the capital itself must be charged into the price of the new production. Elementary business accountancy requires the recovery of all costs of production. But, the public cannot meet these additional capital charges; the money incomes originally distributed for production of the capital have long since been spent and cancelled as purchasing-power. And worse, such capital charges multiply with the number of times of reinvestment of savings—without creating commensurate new purchasing-power. All of these capital costs carry forward as an accumulating charge recoverable from future production cycles. Thus, as the economy becomes more capital intensive—actually more efficient—capital costs (which do not distribute income) multiply relative to labor costs (which do distribute income). The financial cost of current production can only be met by an increasing charge against future production.

Growing Debt

Insofar as this charge appears to be "net", it is only through expansion of the money supply via producer and consumer loans intended to bridge the widening chasm between costs, reflected in surging prices, and effective incomes. But debt is a mortgage against future earnings; it does not liquidate cost, but merely transfers it ahead to become a charge recoverable in prices accompanying future production cycles. Hence, the intolerable burden of inflation and unrepealable debt upon the community as costs advance inexorably beyond incomes—and interest rates rise as the need for loans to meet these additional costs becomes more acute.

All governments, through Keynesian economics, simply accommodate these rising costs with more and more debt money, increasingly through state expenditure. This is why inflation and centralization of power in government are growing so rapidly.

Inflation, then, is not a "real" problem—but a financial-accountancy problem. It originates in a faulty financial system—entirely of human design—which violates the natural law of cost by creating rising financial costs and prices in the face of rapidly falling real costs of production, which makes the various cycles of production financially non-self-liquidating—and permits the use of past or current production only through further production and an expanding mortgage upon our future.

A Proffered Solution

But how can finance be made to reflect reality? A solution to the problem which we have been discussing which is commensurate with both economic realities and the policy of maximum individual freedom through the decentralization of power and property has been outlined by C.H. Douglas, founder of the Social Credit school. Incomes must be released not merely as money payments for initial production supplemented by debt. An additional flow of genuine financial credits, unfettered by obligation of debt or burden of interest, must be issued directly to the community so that the consuming public always possesses sufficient income to liquidate financial costs as they arise in their own cycle of production. Physical costs are met as production takes place; so it must be with financial costs.

With respect to each cycle of production, this additional compensatory flow of money must be issued in a manner which: (1) increases purchasing-power, (2) reduces prices, (3) is not conditional upon either employment or further production, which would create new costs, and (4) encourages maximum technological efficiency by divorcing income from employment as capital costs of production increase relative to labor costs.

As Douglas revealed, the present financial system denies men the abundance, freedom and leisure which are the natural fruits of technology. The system can only charge the consumer for capital depreciation; it has no means by which to credit him with capital appreciation through falling prices, increased purchasing-power,
and leisure. Real capital resulting from reinvestment of savings is a real credit which must be the basis for issue of debt-free and interest-free financial credit directly to the community. Thus the community might possess an accurate financial reflection of the wealth which it has produced, without the necessity to beg loans from, and submit to the policy of, the centralized power of finance and government. This debt-free consumer credit must be issued as production outstrips the financial capacity of earned income to consume—in part as a direct payment to each citizen as his share in the communal capital, and in part as a direct subsidy to lower retail price at the moment of purchase. The financial system would then accurately reflect economic reality; it would be self-liquidating and would serve individual freedom by appropriate distribution of both power and property. In nature, distribution is automatic—dependent neither upon debt nor upon future cycles of production.

Price inflation, then, occurs consequent to a faulty method of issuing money. Inflation can be quickly reversed by a realistic, intelligent policy of financial decentralization (i.e., distribution). Such financial reform, however, conflicts directly with the policy of those internationalist financial and statist powers who control real credit and human destiny via their monopoly of financial credit. These powers must be effectively challenged if we are to end the artificial restrictions of those who manipulate financial accountancy to distort reality and, thereby, secure their own false and socially destructive utopian or selfish objectives of power over their fellow man.

But to issue money for consumption, rather than only for production as at present, requires a departure from the doctrine of salvation by works and involves recognition of the Christian doctrine of unearned Grace. Whether or not society will perceive the significance of this issue before our civilization is reduced to ruin by the continued supremacy of finance over reality remains to be seen.

W.M.K.

Finance, as it exists, pertains far more to the realm of mystery like astrology and to what has been called the "Science of the Infinitely Absurd," than to any of the exact sciences.

—Arthur Kitson, A Fraudulent Standard, p. 15
individually is more important than the state and the latter exists for the good of the former, rather than the other way round. Even if much of the talk about this principle has often consisted of hypocrisy lip-service by crass power-seekers, the fact that the hypocrisy has been necessary says a great deal about the character for which the public have generally presumed their society should be striving.

So one thing that the occupational data in question make clear is the fact that our citizens have received a demotion: whereas once they were souls in the Church now they are cells in "the labour force". And, more and more, government success is synonymous with keeping statisticians and policy planners, rather than the population as a whole, happy.

**Non-Productive Work**

However, the detail of the figures, as well as their mere existence, is revelatory. Specifically, they demonstrate some of the bizarre results of trying to cram people into economic functions in a productive system that has evolved beyond the stage of requiring their participation. The largest of the 21 categories are not directly engaged in production at all. They include clerks (1,597,000 "cells"); renderers of hotel, protective and other services (1,196,000 "cells"); and sales agents (977,000 "cells"). Now, while it is true that a measure of these sorts of activity can facilitate the workings of the productive system, the exaggerated growth indicated by these figures derives largely from the policy of fumelling people into non-productive work so that they will continue to "deserve" some standardized stipend.

A great deal is done to handicap productive efficiency at most job sites: in fact, featherbedding has acquired the status and acceptability of a national pastime. Yet certain types of activity are inherently better adapted to this purpose than others. You can put a road gang of twenty men on a job that requires only four, but a palatable inconsistency will exist between the task and its means of accomplishment. Other types of jobs, however, can be made to consume virtually unlimited quantities of time and energy without running the risk of enhancing the productivity of the nation. Prominent among these are paper work, service work, and promotional work—which, coincidentally, correspond to the three largest divisions in the labour force statistics. Another Moloch to which human lives are sacrificed is committee work: note that an additional burgeoning category is the managerial and administrative—at 571,000 "cells" just a sliver under the grand total for farming, horticulture, and animal husbandry.

The seventeenth category is artists and the twenty-first, and last, is pastors and priests.

R.E.K.

The secular community, since it exists for our natural good and not for our supernatural, has no higher end than to facilitate and safeguard the family, and friendship, and solitude. To be happy at home, said Johnson, is the end of all human endeavour. As long as we are thinking only of natural values we must say that the sun looks down on nothing half so good as a household laughing together over a meal, or two friends talking over a pint of beer, or a man alone reading a book that interests him; and that all economics, politics, laws, armies, and institutions, save in so far as they prolong and multiply such scenes, are mere ploughing the sand and sowing the ocean, a meaningless vanity and vexation of spirit.

—C.S. Lewis, *Per-seed and Elephants*, pp. 13-4