

Private Banks and Public Debt

In two articles entitled "Banks: The Coming Crisis" and "Banks: The Politics of Debt" published recently in *The New York Review of Books* (May 27, 1976, and June 24, 1976, respectively), Emma Rothschild chronicles the growth of indebtedness of developing countries to private (especially, American) banks during the past several years. Many of the statistics she presents are in themselves interesting: in 1975, the Chase Manhattan Bank "earned 64 per cent of its profits abroad, as compared to only 22 per cent in 1970"; in 1976, developing countries will need to finance deficits in their current accounts of over \$30 billion--three times the 1973 figure; a typical developing country, Peru, has throughout the 1970's "spent on average more than 20 per cent of its export earnings on debt service".

Rothschild's thesis is this: as a consequence of the inflated debt (the result of the expansionist economic "euphoria" of 1970-73, followed by the necessity to finance the import of "necessities" during the recession from 1974 on), many developing countries are in a position where they may have to default on or reschedule repayment. This, in turn, would be a blow to the banking system--if not in terms of actual losses, at least in terms of shaken confidence in a market in which, increasingly, its enterprise has been concentrated. Subsequently, it would be more and more difficult for the developing countries to obtain the financing which they quite clearly cannot do without. Rothschild suggests, therefore, that some system of loan guaranteeing, either by the U.S. government (in the case of American banks) or an international body like the World Bank (that is, "governments, acting collectively"), will be necessary. The object, as one official has said, would be "to improve the structure of debt of some countries".

Not "eliminate the debt", but "improve the structure of debt". And that improvement of structure would be financed (or, at least, guaranteed) by the public in developed countries--each of which has its own expanding and irredeemable national debt, each of which is pursuing the balance of payments advantage which the loans to "underdeveloped" countries are designed to foster, through the expansion of export potential, in those areas. Thus, citizens of, say, Canada, the U.S., or Britain--already responsible for their own mounting private indebtedness and for their collective national indebtedness--would be required to assume responsibility for the debts of other countries.

In the situation which Rothschild describes, and in the direction in which her proposed accommodations to the problem tend, we recognize a familiar pattern: "crises" precipitated by the inherent inadequacy of existing financial arrangements are invoked to justify some consolidation of power in an international body, 'the only sort of organization large enough to deal with large-scale problems'. The suggestion that "governments" guarantee loans to developing countries can issue only in increased collusion between those governments (which have, apparently, unrestricted access to the public credit) and international bankers (who will doubtless be quite happy to lend at no risk to themselves--only to the taxpayer). The advantages to the debtor nations will likely be illusory: certainly their national economic sovereignty (not to mention the personal economic sovereignty of their citizens) will scarcely be extended by a further entrenchment of international debt finance.

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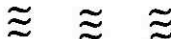
Our partisanship does not extend beyond two considerations. Firstly, we believe that reality does exist: it is not a matter of opinion and will assert its authority over all opinions that contradict it. All sanctions reside in reality; opinion has none. Secondly, we believe in the desirability of extending 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. Man 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.

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



The Myth of the Free Vote

The debate in the House of Commons leading to the adoption of Bill C-84, whose effect is to abolish capital punishment, revived the issue of the nature of the relationship between a Member of Parliament and his constituents. This is the invariable by-product of "free" votes in the House, for, when the usual political disciplines are dispensed with, the importance of alternatives is enhanced.

The term "free" associated with the vote was, of course, largely a misnomer. It certainly was not applicable in the case of a Minister, since the policy of Cabinet solidarity compelled him to follow the government's lead. Furthermore, those Members who received direct or oblique warnings that their opposition to the party line would do their political careers no good undoubtedly felt their options regarding the legislation to be a bit cramped.

Unfortunately, such circumstances produced reactions which—though provoked by healthy outrage at behind-the-scenes political manoeuvring—threatened to lead to even more objectionable forms of corruption. Thus, one exasperated advocate of retention called for a secret ballot on the issue, arguing that certain Members had been so intimidated by backroom pressures that the only way they would vote as they really thought they should would be under the cover of anonymity. Such a vote would have not only presented sitting Members in an incredibly cowardly role, but dealt a death blow to the concept of responsibility in government. The electorate have a right to know how the people they have elected are acting.

At the Parliamentarians' first utterance of the phrase "free vote", the people of Canada should have politely but firmly advised them that the proposal was astounding; that they were not elected to be free agents in the House, but to represent their constituents' will; and that, if they could not (or would not) perform this function, their resignations would be welcome. Several M.P.'s conceded the rightness of this position with little or no coaxing; and, if the others had been induced to the same, political democracy in our country would have been given a wholesome boost. (Cynics

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Marxism and Christianity

In recent years, much discussion has centred on the question of the mutual compatibility of Marxism and Christianity, focusing particularly upon the ostensible concern of each for "social justice", and many serious efforts of "atonement" have been made. The following two-part article, whose thesis is that the two doctrines, far from being reconcilable, are radically incompatible--in fact, mutually exclusive, examines first the ideological differences between Marxism and Christianity and then the political implications of these philosophical divergencies.

Recently, a three-part program in the television series *Man Alive* investigated the so-called "dialogue" between Christianity and Marxism in an attempt to elucidate the areas of compatibility between these two great "religions". The general conclusion seems to have been that, while there are important differences between the two ideologies, they have many common concerns and much to offer each other, and there is no necessary contradiction in the epithet "Christian Marxist". In fact, several "Christian Marxists" were interviewed.

The justification for seeing compatibility between Marxism and Christianity seems to be something like this: For centuries, the churches have given psychological support to the status quo by preaching patience, the spiritual efficacy of temporal suffering, contempt of the world, and the hope of eternal bliss in an ill-defined "heaven". The effect of this has been to keep the poor and oppressed poor and oppressed and the rich and powerful rich and powerful: "the powers that be are ordained by God". This, of course, has tended to perpetuate social injustice, and Marx was entirely justified in referring to religion as "the opium of the people". However, enlightened Christians realize that Christ's message was a socio-political one (perhaps even a "revolutionary" one), and enlightened Marxists recognize that he was, as they are, preaching "social justice". Thus, both Christianity and Marxism have a common enemy--capitalism--of which the former (Christianity) has often been in the past (and some parts of institutionalized religion still are) a willing accomplice.

The Idea of Immanence

Now, one can quite readily admit that Christianity *is*, in one sense, a "worldly religion", and therefore has a fundamental bearing not only on what transcends temporal existence, but also on what is immanent in

that existence. The doctrines of the creation and the Incarnation could not be more clear in pointing to this fact: God created the world; therefore, the world must be inestimably important: moreover, the Second Person of the Trinity assumed to Himself flesh--it was in and through the things of the world, the created world, that God approached man. Renunciation of "the world", then, seems radically incompatible with central Christian beliefs. Thus, one cannot but agree that Christ's "message" (but, more important, Christ Himself) relates significantly to temporal, material, mundane conditions and relationships. To deny this, of course, is to fall into Manicheism--the heresy of a split reality, of two antagonistic worlds, the spiritual and the material. Christianity, it seems to me, must regard the created world as a sacramental expression of metaphysical "law" -- an outward and visible sign of an inward, invisible grace or truth.

Thus, Christianity *does* have something to say about politics, about social relationships, about economics. The observation has been made that policy is the expression of a philosophy: if Christianity is a philosophy, a metaphysic, an interpretation of reality, then there must (unless there are "two worlds", in which case Christianity is invalid anyway) be a policy appropriate to Christian belief¹. The question, of course, is: "What is the policy of Christian philosophy, and is it the same as that of Marxism?"

Dissociation

One possible answer to this is "Yes", and it was given by one of the "Christian Marxists" whom Roy Bonisteel interviewed on *Man Alive*. She--a South American theologian--said (and I paraphrase her position here): "Of course, I do not agree with Marxist ideology. I

¹Some aspects of this matter have been discussed in the article "Faith and Economics", *Seed*, III:1-4.

am not an atheist. But the Marxist social analysis is accurate: it has scientific validity, and it is a useful "tool" for dealing with real problems'. This is an interesting argument, for it is a clear example of what could be called "dissociative thinking". On the one hand, Christian philosophy is correct; Marxist philosophy, which is radically opposed to Christian belief, is unacceptable. However, Marxist observations of the nature of the world are accurate, and its recommendations sound; Christianity, presumably, does not suggest usable "analyses" of society, or any correct principles of association. The view, when examined, is shown to be ridiculously anomalous: it is like saying, 'all the evidence I have is that the world is round, and this fact accounts for all sorts of phenomena; therefore, I will base my *practical* life on this fact. However, I will embrace a philosophy that is in direct opposition to this practical science, which obviously has an unacceptable metaphysical underpinning.'

This particular "Christian Marxist" has to reconcile the contradiction in terms by positing the existence of two unrealized realms of being— one accurately described by Christian metaphysics, the other by Marxist 'science'. As we have seen, this violates the unity of being explicitly asserted, for example, in the Athanasian Creed ("neither dividing the substance"), and manifested in the Incarnation.

It also raises the corollary question whether Marxism is "science" or mere propaganda. "Science", presumably, tells us about the nature of reality— objectively. If what science tells us is true, and if it contradicts our fundamental beliefs about the ultimate nature of reality, then our beliefs are invalid— they will be exposed as mere "superstition". Marxism, of course, claims to be "scientific", in the sense of describing the way in which economic relations (ostensibly the only associations it is interested in) actually work. Does it? Or does it begin from *a priori* assumptions, and then create situations which appear to offer empirical confirmation of those assumptions (which have been 'advertised' as mere hypotheses)? The point is that, if Marxism is genuine science, then Christianity cannot (since Christianity claims to owe primarily allegiance to reality, to "truth") very well deny the validity of Marxism. This, it seems to me, must cast into serious doubt the validity of the metaphysical as-

sumptions of Christianity, since, obviously, Marxism would represent a philosophy related to a valid interpretation (or analysis) of the way the world *really* is.

However, our immediate objective is to discuss the mutual compatibility of Christianity and Marxism— not to evaluate which is correct, although our position on this matter will no doubt be clear. Let us begin by examining the "metaphysical postulates" or philosophical assumptions (Marxists would call theirs scientific inferences, I suppose) of each— always keeping in mind the principle that policy and techniques are the expression of philosophy.

Theism and Atheism

The first— and no doubt the most obvious— philosophical difference is one that has already been mentioned: while Christianity posits the primary reality of a personal God whose intentions are expressed in the created universe, Marxism is atheistic and materialistic. The implications of this difference are manifold. A primary one is the concept that the pattern of being lies outside human "invention" (or mere chance). Creation is informed, interfused, by "law", or principles of association which are not alterable by the whims of men. Truth, therefore, is something to be discovered and applied; it is not subject to vacillations in public opinion or the decrees of autocrats. This perhaps appears to be a limitation on man: he is restricted by the laws of his own being. However, as we shall see, it is in fact an implicit guarantee against the coerciveness of political force— if that force violates the "natural law".

Another of the most important implications of Christian theism is that the concept of a personal God— and not only a personal God, but a tri-personal God— entails, as G. Ingli James has remarked, a concern with the values of the personality. These, as Augustine tells us, are consciousness and intention— the exercise of the mind and the will. Thus, the figure of the Trinity is an image of Godhead in which 'persons' (with the powers of knowledge, or of self-recognition, and love) stand in dynamic relation to one another. Marxism, on the other hand, has no similar concept of personality: Marx speaks of an interest in persons "only insofar as they are personifications of economic cate-

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Money and Mayflies

(Continued from last month)

Disappearing Money

It should be pointed out that Professor Pesek's line of research, while interesting, is not novel. In fact, he has done less to elucidate the implications of the transitoriness of bank-created money than at least one of his precursors. C. H. Douglas carried out studies similar to Pesek's during the 1930s. His approach involved relating total annual clearing-house figures to average aggregate bank deposits (loans) to ascertain how many times the latter were brought into and cancelled out of existence within a year.

In Great Britain, . . . the deposits in the Joint Stock Banks are roughly £2,000,000,000. In rough figures, the annual clearings of the clearing banks amount to £40,000,000,000. It seems obvious that the £2,000,000,000 of deposits must circulate twenty times in a year to produce these clearing-house figures, and that therefore the average rate of circulation is a little over two and a half weeks.²

Elsewhere Douglas used a striking analogy to suggest the brevity of the life span of financial credit:—

A credit instrument is something which will enable you to get what you want. If you are stranded without food on an island overrun with rabbits, a shot-cartridge is in all probability the most effective credit instrument with which to deal with the situation, but in more highly civilised communities the instrument in most general use, and which typifies the rest, is what we call money. It differs from a cartridge chiefly in disappearing less noisily.³

(If we apply Douglas's approach to the Canadian banking scene, we get a figure for mean endurance of bank credit between the latter's 2.5 weeks and Pesek's 5.6 days. Total clearing-house operations for 1974 and 1975 were \$1.7 trillion and \$2.1 trillion, respectively. During the same two years, loans by the banks approximated \$49 billion and \$60 billion, respectively. This implies that the average deposit was being recycled about every 35 days — or that its life span was in the order of 10 to 11 days. These figures could stand refinement in a number of ways—for example, by taking into consideration the fact that financial institutions other than

banks have access to clearing-house facilities — but they should give a reasonably accurate estimate of the situation.)

Rates Should Tally

That money is continually being issued, cancelled, and renewed as this research indicates assumes special significance when one realizes that money transactions are linked in a definite way with economic activities involving the physical transformation of materials and their distribution. Buildings are raised, tools are produced, equipment deteriorates, consumer goods are bought—and all of these phenomena have precise monetary values attributed to them. Financial credit has, in fact, become an essential feature of commercial transactions: it is created to permit them and ought, logically, to remain in existence in sums large enough and for periods long enough to ensure that the operations involved are consummated.

If the rate of rotation of bank deposits is a week, it only makes sense that the economic functions to which they are related should be completed within the same span of time. A dynamic relationship ties financial transactions to their economic counterparts; and, if the rules for furnishing credit do not take this properly into account, the connection between money issue and recall and the production and consumption of goods is falsified. Economic strain entailing harmful social manifestations must follow.

Unfortunately, the chartered banks do not even attempt to ensure that the relationship between their loaning (i.e., money-creating) activities and production and consumption is a 'true' relationship. Their operations—as they admit in their internal publications—are intended rather to maximize their own power and profits. To achieve this end, they aim to place the community in a position of increasing dependence upon them. This explains why they extinguish at so rapid a rate the credit they manufacture—so that people are compelled to keep re-applying to them for the means of financing economic functions. The idea is to cancel the credit as quickly as possible while leaving with the community collectively a growing obligation to the banks in the form of new

²*The New and the Old Economies* (Edinburgh, 1935), 18.

³*The Control and Distribution of Production* (London, 1922), 45.

debt contracted merely to meet interest charges on the old. This is the policy that has led to the present burgeoning personal, corporate, and governmental debt structures, to whose extension there is no end in sight.

Douglas's correlation of these matters was a brilliant bit of analysis. He demonstrated how ephemeral money worked to the bankers' advantage at the cost of dislocating every function of the economy. He also showed how credit could be issued with a durability suited to that of the things it was intended to represent. This latter policy would, however, have had the effect of shifting control over the economy out of the bankers' hands and into those of the public generally—which undoubtedly explains why it has been encouraged to die a quiet death by all whose ambition is to remain on good terms with "the powers that be".

R.E.K.

("Marxism", continued from p. 4)

gories". In Marxism, the material process itself is supreme: persons are merely part of that historical process; human satisfaction consists in material reinforcement. The doctrine is essentially a deterministic one in which individual consciousness and will are irrelevant. The Christian concept, on the contrary, places upon the individual the awesome responsibility of cooperation or non-cooperation with the divine will and reason. The relation of the person, the individual soul, to God is the primary concern of Christianity; axiomatically, then, the individual soul—as seen in the eyes of God—is, in itself, vitally important.

The Question of Evil

Related to this question is the concept of evil in each of the two systems: again, we find a difference that is radical and irreconcilable. Marxism—insofar as it is materialistic and environmentalist—discounts the notion of radical evil, which is central to Christian thought. By "radical evil", of course, I do not mean essential, autonomous, or independent evil, but a tendency towards evil which is rooted in personality, in human nature itself. Marxism argues that it is the environment, or social institutions, which "corrupt" (if such a term can be applied to a system which repudiates value judgments) men. If these institutions can be done away with—and the logic of historical materi-

alism tells us that, inevitably, they will be done away with—then the "corruption" of man will be obviated. Christianity, on the other hand, in the doctrine of original sin, suggests that the human will and consciousness are the primary locus of evil (or alienation from God). Institutions must accommodate the fact that persons are prone to do evil.

Thus, Marxism tends to be "romantic" and pastoral: it paints a picture of human destiny which involves an ultimate return to a kind of pristine innocence, a sort of spontaneous amoral communism. In this, it is essentially, and paradoxically, "idealistic" (as opposed to "realistic", perhaps) and Utopian. Christianity can hardly be said to hold out the same expectation: far from anticipating a reversion to blissful amorality on the part of 'man', it holds explicitly that "they who have done good shall go to the life everlasting: and they that have done evil, into everlasting fire". The meaning of the Judgment is unambiguous: persons, in the Christian view, will be evaluated on the grounds of their individual allegiance to good and evil. Again, the point is that persons are damned or saved as individual souls, and not as part of a social system or economic class.

Another aspect of this question of "evil" in Marxism and Christianity is a point that has been made by T.S. Eliot: if there is no radical evil, then there can be no radical good. That is, if man's "viciousness" is merely the result of social conditions or economic forces, then he cannot be held responsible for it. Moreover, though, this implies that his "virtue" is similarly socially conditioned: therefore, he cannot be credited with it. In fact, the denial of the concept of radical evil (the power of the individual will to withdraw its allegiance from God) carries with it the denial of the belief that man is essentially a moral being. Whether this is true or not, it is (as we have seen) hardly to be reconciled with Christian teaching.

Conflict and Integrity

This brings us to another area of fundamental philosophical incompatibility between Christianity and Marxism—one again having to do with how each views the basic structure of reality. We have seen already that Marxism regards reality in materialist terms, while Christianity emphasizes the spiritual attributes of reality (consciousness and intention). The second term

of the Marxist formula, "dialectical materialism", then, we have already discussed; let us now look at the first.

"Dialectical" in the formula emphasizes the fact that, in the Marxist view, the historical process is ostensibly one of progress as the result of the confrontation of opposites. Marxism, then, appears to regard the world as essentially dualistic in make-up, the elements in the dualism constantly changing. Thus, as we all know, the "synthesis" resulting from the conflict of a "thesis" and a corresponding "antithesis" becomes the "thesis" in the next step in the dialectical process. The point is that this view makes two suppositions: (1) that reality consists in contradictions; (2) that, somehow, violence (the confrontation of opposites) is a productive process. Moreover, apparently at some point in the historical sequence, an ultimate synthesis is reached—the Utopian communist state, which will be characterized by "equality". That is, in this condition of society, "contradiction" will be obviated—presumably because differentiation (that is, "inequality") will have been eliminated. As we have seen, this "equality" will be material, since the material is the only reality recognized in Marxism.

Once again, the Christian view is radically different. Far from maintaining that reality is essentially divided or contradictory, Christianity holds that reality is dynamically integrated. By "dynamically integrated", I mean that it is unified, but not uniform, or undifferentiated. The most striking image of this is, once again, the Trinity, which is characterized by unity in diversity, by one-ness of substance and distinction of persons. Reality, in this view, is seen to consist not in inevitable conflict arising from differences, but in the cooperation of distinct "personalities". Thus, the Christian view seems to be that difference is not incompatible with harmony.

This, of course, is the Christian description of the ultimate reality of the Godhead; however, the doctrine of the Incarnation suggests that this principle of diversity in unity is immanent in the world. The Incarnation itself is, of course, a powerful symbol of the union of apparent opposites, or incompatibles: of man with God, of the abstract with the concrete, of the finite with the infinite, of the temporal with the eternal. Reality is not at war with itself in this view.

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The publication of SEED is an enterprise which we feel is of cardinal importance to the revitalization of our culture. This endeavour represents the concern of a few individuals sensible of their responsibility to reverse, where possible, what they perceive to be the deterioration of the ideological and practical bases of this culture, and prepared to make personal sacrifices in the accomplishment of this objective.

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("Marxism", continued from p. 7)

Even the central locus of conflict in the Christian view, the 'confrontation between good and evil', is in fact not a conflict of mighty opposites: evil itself is merely the absence of good; evil is not a power itself, but a negation; it is self-diminishing. What is most good is most real; good does not "fight" evil in the Christian view; it merely obviates it.

D.R.K.

(To be continued)

("Myth", continued from p. 2)

might object that the politicians would only have been scrambling to save their electoral hides—but surely it is better that they are responding to their constituents rather than the occult influences encountered in politics.

The only undesirable feature of the opportunity afforded by this "free vote" to regenerate our political institutions was that it concerned a question of administration rather than policy. Where the latter is at issue, the government is obligated to conform to the

wishes of the people; but the people do not in general have the expertise to judgment on the technique of achieving the policy. The purpose of the reasonable man is not to hang killers, but to render his property and life secure. Capital punishment is an administrative method of fulfilling this goal.

What the population should have insisted on, fundamentally, is the reduction of crime levels; and, while the threat of punishment may be a practical necessity, it is obviously saner to attempt to remove motives for crime (in so far as this is possible) than simply to penalize criminals for *faits accomplis*.

Environmental influence is not everything; however, it does bear heavily upon what men become. The prevalence of the poor and ignorant among persons facing execution in the United States led to the 1972 Supreme Court ruling that virtually eliminated the death penalty. Our governments cannot remake a man's heart, but the means are at their disposal to abolish poverty and reduce ignorance. This is where their wit and energy should be applied: the practicality of major penal reform will become manifest once these two social evils have been overcome.

R.E.K.

The process by which banks create money is so simple that the mind is repelled. Where something so important is involved, a deeper mystery seems only decent.

Inevitably it was discovered...that [a] stroke of the pen would give a borrower from the bank, as distinct from a creditor of the original depositor, a loan from the original and idle deposit. It was not a detail that the bank would have the interest on the loan so made The original deposit still stood to the credit of the original depositor. But there was now also a new deposit from the proceeds of this loan. Both deposits could be used to make payments, be used as money. Money had thus been created. The discovery that banks could so create money came very early in the development of banking. There was that interest to be earned. Where such reward is waiting, men have a natural instinct for innovation.

J.K. Galbraith, *Money: Whence It Came, Where It Went*, 1975, 18-9.

The worst thing to be said of...semi-compulsory schemes for providing work for the Unemployed is that they point to servility exactly when the facts point to increased freedom. As fast, indeed, as the creative genius of Man liberates men from slavery to the machine, the evil genius of Man claps them into prison again.

A.R. Orage, *The New English Weekly*, III:1

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