The Unchallenged Power of Finance

Many people will have noticed the recent announcement in the papers that eight million spindles may be scrapped to "save" the Lancashire cotton industry.

It must be puzzling to ordinary people to be told at one time to "Produce More" so as to help British trade, then to hear shortly afterwards that production is to be restricted and machinery destroyed—also to help trade.

But they do not enquire into it—which suits the money monopoly very well. The last thing they want is for people to enquire deeply into the money system.

In the face of the honour and respect in which bankers and the banking system are held, it is not easy for people to realise that this "poverty in plenty" state of the world is due to the defects of the financial system which the bankers control.

Yet that is the fact. Though we are faced with a potential supply of real wealth sufficient to banish poverty from the earth, the men who control money have got us all in a straight jacket of artificial scarcity. So it is that Governments, who accept the rules of finance without question, instead of raising the people's power of spending to match their power of production, are deliberately doing the exact opposite—namely, cutting down production.

It is not our purpose to discuss the motive of the money monopoly except to observe that men who have power will always keep it as long as they can. And by manipulating the issue of money and keeping it in short supply, they are able to exercise a sovereignty compared with which parliaments, kings and dictators are mere puppets.

"Cornering" The Money Supply

One has read what big business in America can do when it succeeds temporarily in cornering a single commodity. What then must the power of the organisation which has permanently cornered the key-commodity on which everything else in the material world depends? Obviously, this money monopoly holds consumers, producers and governments in the hollow of its hand.

This explains why it is possible for the money power to have things done which outrage commonsense. When hungry people hear that enormous quantities of wheat are being thrown into the sea and coffee used to stoke railway engines in Brazil, they may feel that they are living in a mad world, but there they leave it. They have been trained to believe that the producer is the all-important person, and it never occurs to them that they themselves have rights as consumers.

At the same time producers are encouraged to believe that the purpose of production is to provide jobs and make profits. The idea that the true object of production is consumption is kept in the background, so producers see nothing out of the ordinary in destroying material which millions of people would be only too glad to buy if they had the necessary money-tickets to do it.

The Golden Age, of which men have dreamed for thousands of years, is almost within our grasp. Nobody knows how great would be the world's wealth if the Machine were allowed to work unimpeded and its products were sufficiently distributed to consumers; it is enough to know that everyone of us would be able to live in complete security at an immensely higher standard.

The Permanent Shortage of Money

All that is necessary to bring about this change is to remove a small but vital flaw in our money system. This flaw arises from the fact that all new money is issued by the banks as debt, and its effect is to make the community permanently short of the money necessary to buy what they themselves produce.

The remedy is to issue fresh supplies of new money to the exact amount needed to bridge the gap, and distribute it free to the people in the form of a National Dividend.

This money need not be issued as a debt nor paid for out of taxation. It can be issued as credit, based on the real abundance for which it was designed.
SOCIAL CREDIT AND THE LAND TAXERS

It is instructive and perhaps encouraging to notice that attacks upon Social Credit conform fairly closely to a general type, with certain well-marked characteristics.

(1) They generally betray demonstrable ignorance of all but the lower grades of its bibliography.

(2) They frequently mis-state the premises.

(3) They have a tendency to lay stress on the blamelessness of the financial system.

A recent review of “Social Credit” by Major C. H. Douglas, reprinted by Messrs. Eyre & Spottiswoode, is a good example of all three of these. It is not suggested that the vast majority of the followers of the late Mr. Henry George are aware that they are being used as tools of the banking system, but we have very little doubt that this is the case. For instance, the review in question appears in “Land and Liberty,” the monthly journal for Land Value Taxation and Free Trade, published by the United Committee for the Taxation of Land Values, and priced at one penny, obviously less than its cost of production—an interesting instance of the use of the compensated price by critics of it. The review in question begins by mis-stating the price of the book reviewed. It then remarks that “this may be accepted as the author’s maturest exposition of his theory,” a fact upon which some land pamphlets dealt with the same subject succeeded it. It then suggests quite erroneously that the A plus B Theorem has been abandoned. It goes on to attribute the ability of banks “to give credit to one man because of the funds entrusted to it by others.” It confuses land prices with the quantity of money in circulation.

It is interesting to observe that while Land Value Taxation has nothing to do with Free Trade, both of these have everything to do with the interests of the international financial system. The first because it forces the owner of real property to pay money with which to pay taxes, most of which go to the creator of National Debt, i.e., the banking system; and the second because the theory of Free Trade is that every country should produce that for which it is most naturally fitted, and would thus be forced to exchange it by means of Bills of Exchange controlled and taxed by the Banking System.

Prior to, and during Major Douglas’s visit to New Zealand a well advertised attack on Social Credit was organised by the Land Values organisation accompanied by a defence of the financial system.

THAT IMPERIAL UNITY

Mr. Te Water, the South African High Commissioner in London, is dissatisfied with the share of Britain’s trade secured by her countrymen. In an interview granted to reporters on his arrival at Cape Town, he made the following significant statement: “Baldly stated Great Britain is not buying sufficient of our products in return for the great purchases we are making from her manufacturers. It comes down simply to this. Some of our purchases made in Great Britain today would have to be made abroad unless Mr. Te Water himself is able and prepared to level the trade balance between us.”

This is but one more proof of the disruptive effect of “sound” financial principles upon Empire relations. Because the peoples of South Africa and Great Britain are increasingly unable to purchase all the goods they can produce, each country is forced to strive to export more than it imports, even at the cost, as in this case of endangering friendly relations.

By its very nature the financial system, tends to bring about in the modern world the very conditions least desired by those who control it—increasing tariff barriers to trade and increasing danger of war. As Major Douglas has said, the controllers of the system are like the drunkard who will do anything to avoid delirium tremens except give up drink; similarly, they will do anything to avoid hindrances to international trade, except change the system which causes them.

We do not, of course, suggest that in the case in question the two countries will go to war to settle their differences, but obviously Major Douglas’s threat to British export industries is symptomatic of a fundamental and, if the system is not changed, a permanent cause of disunity within the Empire.

Following the report of this threat, comes the news that Herr Rausch of the German Wool Textile Association had left for South Africa by air. He is hot to try to negotiate an agreement with the South African wool producers, whereby Germany is to increase her purchases of wool in return for an increased market for manufactured goods. Apparently the threat is beginning to work!

“NATIONAL SAFETY”

“To ensure safety you must be prepared to make some sacrifices in other directions.”—Mr. Neville Chamberlain, Chancellor of the Exchequer, on October 12, referring to national defence.

Now, assuming that armaments do “ensure safety,” we would ask why the nation must make sacrifices in order to get them. Even a Chancellor must have noticed the number of shipyards, steel firms and collieries closed down or working short time for lack of orders. Then why should it involve “sacrifice” to set them working full time again? Are we to assume that if the nation wants to avoid sacrifices the nation must cease to produce? This is the logical conclusion of the financial principles which the Chancellor of the Exchequer supports.

What he means, of course, is that if the nation wants armaments it must pay for them by further taxation. In other words the government has to borrow the money, to pay for its own requirements, from the banks, who issue it without cost to themselves, while the nation regards itself as in debt for money raised on its own credit. The reason for the “sacrifice” therefore, is that the nation’s credit is possessed and controlled by private banks. Under an economic system which bore any relation to sanity, a Chancellor’s function would be to control and issue the nation’s credit in its own interests, for the benefit, not for the debt, of the nation. He would then be able to issue, by a stroke of the pen and without a penny of sacrifice to anyone, whatever money was necessary for national expenditure. A nation’s credit is its ability to exchange goods and services for whatever it wants guns and shells, the Government could issue, without cost, enough money to pay for all it needed up to the limit of the men, machinery and material available.

DISARMAMENT IS IRRELEVANT

Apropos of the above comments, we should observe that, as far as any practical means of abolishing war is concerned, there is little to choose between the people who demand more armaments, those who demand less, and those who demand none at all.

The Labour Party’s decision to place the nation’s forces at the disposal of the League of Nations, for use as part of a sort of international police force, is just an example of that woolly-headed “internationalism” by which the idealism of the last generation has signified its dotage. One can only ask: “Is whose interests, and by whose laws, is the world to be kept at peace by methods of war?”

All the laws, of all the nations, legal, economic and ethical, are at present circumscribed by financial laws which, by enforcing poverty on all “peoples, make international antagonism inevitable. While nations remain economic rivals, their armies must remain rival armies. While the financial system remains unchanged, the only possible function of an international army would be to suppress the revolts of starving peoples, in rotation, at the orders of an international financial dictatorship. To suggest military co-operation together with economic antagonism is ridiculous.

But to suggest disarmament while the economic cause of antagonism remains is, if anything, even sillier. Last week the “No More War Movement” passed another of its irrelevant resolutions demanding “The logical conclusion of the financial principles which the Chancellor of the Exchequer supports.”

THE MODERN MACHINE-BREAKERS

The scheme of the Federation of Master Cotton Spinners for putting 8,000,000 spindles out of action is a useful object lesson in orthodox economic procedure. It is the biggest move that has been made for some time in the suicidal
struggle of British industry to achieve its own extinction as a means of reviving trade.

A hundred years ago machinery-breaking was a capital crime. The people who did it had the excuse that it took away their livelihood. To-day, it is done, solemnly and compassionately by committees of experts, upon the leaders of industry with the backing and commendation of Government and press. The Times, as if to provide these acts of criminal destruction with the language and contempt of terms of orthodox theory, faithfully reproduces all the correct clichés. The stupidity which can improve trade only by destruction is called a "broad and courageous outlook." An act of which the only possible effect, were there an instant competition for foreign markets at the expense of the home consumer will enable us "to face the future with renewed confidence." Destroying wealth to meet depleted buying power by "relating production to demand." Restricting the output of necessities in the face of the masses who are short of them is "reducing redundant productive capacity." And the obliteration of independent business by large combines is "encouraging further grouping of units." We need hardly add that the whole process of sabotage, the outcome of which is foredoomed to futility, is already hailed as "the expansion of trade." 

Credit to the cotton trade is a complete essay on the parasitic nature of "sound finance." After the war the banks financed the trade on a large scale for extensions to the cotton industry with the backing and commendation of Government and press. It is "encouraging further grouping of units." We need hardly add that the whole process of sabotage, the outcome of which is foredoomed to futility, is already hailed as "the expansion of trade." 

October 19, 1934

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THE B.B.C. AND "POVERTY IN PLENTY"

The series of broadcast discussions under this heading may prove useful in so far as they demonstrate the futility of orthodox economic theories.

Last week's discussion was entitled "Are Economists Any Use?" Mrs. Penn, leader of a Wireless Discussion Group in Warminster, played the part of questioner. She suggested that economic theories seemed to have little connection with the realities of everyday life. Referring to the increasing regulation of life by laws and orders, she asked, "Where did the economist come in?" and to what extent had the Government to accept his advice. Mr. Graham Hutton, who is Assistant Editor of The Economist, in reply rightly blamed the Government for increasing regulation, but made no attempt to explain the reason for it, which is that, as every law and regulation has a financial purpose, the Government, as its "first duty," must keep the financial system under control. After all, there is a semblance of truth about this, for it does not control the financial system.

One could not desire a fuller confession of the uselessness of orthodox economics. This is a curious admission by an orthodox economist—that economics consists of stating a principle and trying to make the facts fit it. It certainly explains the lack of connection between economic theories and the experiences of everyday life. He went on to admit that the economist must accept some "limitation of his diagnosis" and that the economist must try to buy as much of its own production as it wants. But Sir Basil does not mean that, as he stands for financial principles by which the nation is kept permanently short of purchasing power. To advocate the "wise" spending of money which is inadequate for the purchaser's needs is nonsense, anyway, and as Sir Basil himself probably does not know what he means, we need not try to interpret him. These "experts," who see all their ideas proving wrong one after another, have actually nothing to say, but being prominent men they have to keep making speeches. What is interesting about those speeches is that they always get reported, as though they meant something.

TOWARDS CIVIC LIBERTY

Although the Government is compromising on the worst features of its Incitement to Dissatisfaction Bill, its arguments show little appreciation of the real danger to democracy. One dare not trust the safeguarding of democracy to any party which takes no steps to remove economic enslavement. The barren "National Planning" or other schemes for centralised control of industry. This is definitely an anti-democratic trend, and it is hard to see any essential difference between the schemes of the Labour Party and those of the Conservative Party. The Labour Party are sincerely in their advocacy of free citizenship.

Centralised control of production means diminishing individual choice. Unaccompanied, as all these schemes are, by any means of increasing individual purchasing power, they must tend towards the greater standardisation and regimentation of social life in all its aspects, leading to an increasing number of people being given "what is good for them." The first step towards greater personal freedom is the increase of personal purchasing power. That is why the Social Credit Movement looks for reform not to the producing industry but to the consuming end of the economic system. Even the centralised control of credit would not alone be democratic, any more than the control of industry. But the National Dividend, by creating the economic (and consequently social) independence of the individual, would be a permanent corrective of all repressive tendencies, and control industry, not by bureaucratic centralisation, but by free choice of purchasing power.

It should be unnecessary to mention that the cause of "disaffection" is poverty, and that until the various Parties include in their programmes some means of increasing personal independence in the way of purchasing power, their intentions, towards increasingly repressive acts.

REGARDING MILK

The Government and the representatives of the dairy-farming industry continue ad nauseam their futile discussions of schemes by which the nation can increase its consumption of milk without any increase of money to pay for it. The experts who contribute to the controversy is the cow, who, like the producing section of society generally, continues to do her job with increasing efficiency, rewarded alternately by medals for record yields and complaints about over-production.

The Daily Herald demands "effective Consumers' representation." Social Credit demands effective Consumers' purchasing power.

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LET it first be repeated; that the industrial system of any one nation is, by the strictest interpretation of finance-accounting, one economic unit. The deficiency of purchasing-power already explained is caused by defective accounting within one unit. The closed national circuit of finance-accounting. It is concealed by the multiplicity of transactions, by manifold concurrent processes of production,—and by the inspired jargon of the monetary system.

Indeed, McLeod’s “Theory of Banking” contains the statement that a debt is a valuable product, created out of absolutely nothing by the mere fiat of the human will; and it is in fact an assumption that money “grows” by the mere writing of figures into a ledger. But one more example may be added to the conclusive analysis already summarised, showing the practical absurdity of this assumption.

This is the question of profits: the “net profits” of individual firms contained in the national economic unit with which we are dealing. A nation’s industries contain three principal divisions; the prime or extractive industries such as mining and agriculture; the manufacturing, dealing with raw materials thus supplied; and the distributive, or retail trades.

Now the only market for the goods passing through these stages is the effective demand of money, which, as we have seen, must first be issued by the national unit as wages, salaries, and dividends. (Foreign trade is dealt with below). All effective demand is included in the cost of goods produced. The accounting procedure is clearly defined, and may be easily understood.

Industry is Financed by Debt.

The extractive industries are financed by debt; either by bank loans, or by invested savings that have already been included in the cost of goods previously produced. The goods produced must therefore be priced so that the debt may be repaid. If it be assumed, quite reasonably that the normal method of charging capital redemption over a term of years is condensed into one cycle of production (the effect being the same), then the extractive industries complete their production, charge the full debt as cost of production, and sell their goods to the manufacturers. But the manufacturers, in turn, expend £100 in addition to the £110 cost of raw materials, their total cost of £300 again being financed by loan capital, as before. They add, again, say ten per cent. profit and recover £330 from the distributors, repaying their loan and presumably have £30 of surplus “money.”

Costs that Cannot be Recovered.

In the final stage, the distribution costs may be assumed to be £70; so that the distributor is financed to the extent of £400, of which he pays out £330. He in turn adds an assumed profit of ten per cent., and the final or selling cost of the goods offered for sale is £440. He seeks to recover this by selling the goods to consumers, who are the community of producers.

Now that is obviously a ridiculous conclusion to the productive process. It is a usual thing for critics of Social Credit to state that costs must be issued to consumers as money at some stage of production. Even admitting the full extent of this obvious fallacy, here is the example, in strict accord with accounting practice, in which the gross production cost is £200, and the balance of £50 is an arbitrary addition to cost. And since all purchasing-power must first be issued as part of cost, there is a fictitious deficiency created that is the real cause of world scarcity and economic depression.

Poverty is the logical conclusion of defective arithmetic in cost-accounting and price-fixing.

“Favourable Balance” Means Economic War.

This is the actual, immediate fact in every national circuit of finance-economics. If it were possible to meet the deficiency in one nation by selling goods, unsaleable at home, in a foreign country, then obviously the buying nation would have its internal deficiency increased, and the selling country would have a financial balance by the sacrifice of real wealth. But such a balance is impossible, and the attempt to attain it is economic war. Foreign trade is actually a logical extension of exchange. By the present system of exchange of goods bearing equal financial values or prices leaves the internal position of each nation quite unaffected. Let it be repeated; attempted variation of this balance to gain a “favourable” balance is economic war, leading inevitably to the spectacle of civilised nations attempting to correct their defective mathematics by armed conflict.

How, then, does the system continue to work at all? Obviously by the production of more, which will be “consumed” only in the course of time. If a great highway, a great building, or any electrical or water-power or other scheme of public utility, is created, it will be “consumed” over a long term of years. And its costs will also be recovered over a long term of years, by taxation or municipal rates charged into future prices. In National and Local loans, the term varies from five to sixty years. Also, the building of capital assets such as factories and permanent plant, by joint-stock finance, has the same effect. The loan capital of joint-stock companies is in fact normally irredeemable during the company’s existence except by sale and transfer to some other investor.

Therefore, purchasing-power issued in respect of all Capital production, permanent or semi-permanent works, becomes available immediately to meet the prices of consumable goods, into which are charged the costs of all Capital goods produced in the past. By the same method, the production of Capital goods may be called “future production”—goods to be used in future years. The future pays for the past. Future production pays for present consumption, and present consumption pays for past production.

Continual Alternation of Boom and Slump.

So far from being a scientific system comparable, say, to the steam engine of a Rolls-Royce aero engine, this is a system of hopeless chaos as at present operated. It proceeds by the alternation of boom and slump caused by the impact of the Quantity Law upon the money-system. Allied to the work-complex, it will lead to a state as the apparent end of civilization when, having one factory for each (unemployed) worker, and one very beautiful bank at each street-corner, we shall be forced to create “capital works” even to the extent of digging holes and filling them up again, so that purchasing-power in the form of “bank” or “credit” or “representative” money may still be issued to bridge the mathematical and increasing deficiency.

And in any case, can it be said in any sense that the present system does work, in view of the misery and degradation it imposes upon citizens of the world to-day? Completing this part of the Social Credit analysis, the next article will state the exact terms of the A-B theorem of Major Douglas, which, by relation to the explanation given, is seen to be a statement of fundamental truth, strictly accurate in structure and implication, and devoid of obscurity for those equipped to understand its terms.

Correspondence

FOR SPARKBROOK, BIRMINGHAM.

To the Editor of Social Credit.

The undersigned would be glad to hear from anyone in the Sparkbrook, Parkside, or Balsall Heath wards (Sparkbrook and Balsall Heath wards) who would be willing to join an initiative to set going a campaign for National Dividend under the auspices of the League to Abolish Poverty.

Professional and business men whose names would be already known to some few of the electors are specially desired; not necessarily to attend meetings.

Yours faithfully,

(Rev.) Cyril A. Brown, 20, Tennyson Road, Birmingham,
(Rev.) F. H. Drinkwater, 763, Coventry Road, Birmingham,
8 October, 1934.
The Case for the National Dividend

III.

In this series our contributor deals with the ways in which the National Dividend would affect the various aspects of social life.

Imprisonment for Debt

There is, I believe, sitting at the moment, a committee, appointed by the Government, to consider the plight and the problem of the largest class of prison inmates. These are not, as Dickens describes, whose-out-of-prison occupation is the blowing of saves, nor people who career along the highway to the damage of His Majesty's subjects. They are debtors, and generally debtors for smallish sums.

Many readers have read Charles Dickens's descriptions of the horrible debtors' gaols of ninety years ago and fancied that gaoling for debt was a thing of the past. Technically, I fancy it is; the reality being veiled under the pretence that the man or woman who fails to pay a small debt when ordered to do so in a Police Court is ordered to be paid by the Divorce Court, it is rather hard to enforce payment or penalties for non-payment, but if the poor person breaks a maintenance or affiliation order, he is very likely to go to gaol.

Sending such an one to gaol (a) because they fail to pay sums judged against them in various sorts of cases in the County (civil) Court; or (b) for not paying the sums they are ordered to pay their wives and families as maintenance, when a Police Court has granted the wife a separation order; or (c) for not paying sums to support an illegitimate child (affiliation order). I understand that whenimony to the former wife is ordered to be paid by the Divorce Court, it is very hard to enforce payment or penalties for non-payment, but if the poor person breaks a maintenance or affiliation order, he is very likely to go to gaol.

We offer to all the well-meaning people we have referred to the following alternative argument: 

TO CERTAIN HUMANITARIANS

The plea is frequently made by sincere and humanitarian people that knowledge of birth control should be given to poor women, so that they may not bring unwanted children into homes where there is not enough to feed those already there.

Such knowledge should be withheld, they say, if it is used for "good moral reasons."

Some of us, however, may consider that in a country glutted with goods there are very "good moral reasons" why it would be more fitting that the good nourishing food which would make it safe for women to have children and rear them should not be withheld.

But instead of using their influence to insist that this wealth is adequately distributed, these people offer us the extraordinary argument that, as there cannot be healthy wealth is adequately distributed, these people offer us the extraordinary argument that, as there cannot be healthy women that knowledge of birth control should be given to poor women, so that they may not bring unwanted children into homes where there is not enough to feed those already there.

We offer to all the well-meaning people we have referred to the following alternative argument:

"A National Dividend would redress both material and infantile malnutrition by ensuring the distribution of those enormous stocks of goods which at present are falsely called 'surplus' and destroyed."

Many good people, we know, suffer from the nightmare that if poverty were removed, people would have such enormous families that the earth would soon be seriously overcrowded.

It is, I believe, a physiological fact that poverty and malnutrition favour breeding, whereas a high degree of comfort and plentiful food diminishes fertility, so that one or two children per family is the rule.

One would expect humanitarians to be more horrified at the idea of tampering with human nature than of "tampering with the currency,"—which is what orthodox economists call any attempts to make money reflect physical facts.

HILDERIC COUSENS.

The Agitator

From the unemployed of all classes, tramp, criminal, and debtor, let us turn to the more thrilling figure of the "agitator." That class of Conservative which imagines that nobody can ever be anything but itself is wont to ascribe every complaint about the shortcomings of our social life to "agitators" who "agitare" either out of the pure wickedness of their own hearts or because they have been bought by gold from Moscow. There is a small amount of fire behind all smoke. True enough that the vast majority of alleged agitators (and incidentally all Social Creditors are agitators, though with a difference), raise their complaints because they object—and rightly—to the conditions they and their children and friends have been put to live with, there remains a residue who agitate because they make a living out of it, and another residue which is made up of temperamental grouers and people who "project" their personal discord on the rest of society.

What effect will a National Dividend have on these people? Its effect on poverty and economic insecurity increasingly removes the ground for the agitation of the vast majority of humanitarians and idealists and people who fail to see why humanity should continue in wretchedness. The professional agitator finds his occupation gone, because his subject matter, poverty, is gone, and his personal vested interest has also gone because he too has the dividend as the foundation of his income. The natural-born "seal-lawyer" and the malcontent loses this particular object for his projections, and ceases to be able to irritate citizens whose chief characteristic is satisfaction with moderate well-being. It would be a bootless task to convince a crowd of well-fed, well-clothed, well-housed, and self-respecting partners in Great Britain, Ltd., that they were proletarians and ought to be class-conscious revolutionaries.

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But instead of using their influence to insist that this wealth is adequately distributed, these people offer us the extraordinary argument that, as there cannot be healthy wealth is adequately distributed, these people offer us the extraordinary argument that, as there cannot be healthy women that knowledge of birth control should be given to poor women, so that they may not bring unwanted children into homes where there is not enough to feed those already there.

We offer to all the well-meaning people we have referred to the following alternative argument:

"A National Dividend would redress both material and infantile malnutrition by ensuring the distribution of those enormous stocks of goods which at present are falsely called 'surplus' and destroyed."

Many good people, we know, suffer from the nightmare that if poverty were removed, people would have such enormous families that the earth would soon be seriously overcrowded.

It is, I believe, a physiological fact that poverty and malnutrition favour breeding, whereas a high degree of comfort and plentiful food diminishes fertility, so that one or two children per family is the rule.

One would expect humanitarians to be more horrified at the idea of tampering with human nature than of "tampering with the currency,"—which is what orthodox economists call any attempts to make money reflect physical facts.

HILDERIC COUSENS.

TO CERTAIN HUMANITARIANS

The plea is frequently made by sincere and humanitarian people that knowledge of birth control should be given to poor women, so that they may not bring unwanted children into homes where there is not enough to feed those already there.

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HILDERIC COUSENS.
There is Potential Plenty

(a) Wealth is being destroyed, e.g., wheat and coffee burnt; cattle slaughtered; fish thrown back into the sea; milk poured away, cotton, wheat, rubber, etc., restricted.
(b) Millions, capable of producing wealth, are unemployed.
(c) Many machines and factories are running at under fifty per cent. capacity.
(d) More machines could be made to create still further wealth.

There is actual Poverty leading to wars and dictatorships.

(a) Millions are unemployed and millions are dependent on charity.
(b) Malnutrition is officially reported in many cities.
(c) Slums and overcrowding are the disgrace of the age.
(d) Bankruptcies average about eighty a week, and suicides about one hundred a week.
(e) Most individuals, businesses, municipalities and governments are getting deeper into debt.
(f) The attempt to sell abroad what cannot be sold at home leads to the economic struggle for markets, and this struggle leads to war.
(g) Governments are always compelled to economise on the pleasure of a lack of money, and their apparent incompetence leads to dictatorships.

To Bridge the Gap Between Poverty and Plenty We Need increased Incomes Without Increased Prices

Those in employment have not enough in wages or salaries to enable them to buy what can obviously be produced; for the incomes paid out by industry are not sufficient to buy its own products. Those out of employment, due to the increasing use of machinery, are even less able to buy what is produced by the machines which displace them.

To increase wages and salaries would merely increase the prices of goods and leave us still short of the necessary incomes.

To redistribute present incomes on a more equal basis would relieve many of terrible poverty, but would leave us all with a miserably low standard of living.

To lower prices would, more often than not, result in the creation of a lack of money, and their apparent incompetence leads to dictatorships.

As machinery increasingly displaces labour, something must be done to raise the standard of living.

The necessary money can be created.

What is Money?

Money is a kind of ticket, and costs very little to create. It is wrong to assume that there must be a limited amount of money.

Most of our money is credit (cheque money). Bank deposits amount to over £2,000 millions but only about £300 millions of our money is in notes and coin.

Banks actually create money by lending far more than the cash they hold, because most business is done by writing cheques. The maximum only about £100 in every £1,000 of deposits is required in cash. Thus, with a reserve of £100 in cash, the banks find that they can safely grant a credit of about £1,000, that is, they enter in their ledgers figures which function as money. No bank could remain solvent if all depositors attempted to take their deposits out in cash; in other words, the bulk of the money is based on credit or faith.

If banks can create money by writing figures in a book, the nation can do so. When the Treasury authorised Money Orders to be paid to us through the Post Office, we should just as readily accept them. Like the Banker’s Loan (mere book work), such Money Orders would be credit.

The security for the National Credit is the Nation’s capacity to produce and deliver wealth. Goods are more important than gold. Too many people still imagine that there is a backing of solid gold behind our money system, whereas in actual fact, there are £200 millions in gold behind our £2,000 millions of deposits.

THE SOCIAL CREDIT METHODS

These, which would increase incomes and avoid inflation, come under three headings—
(a) National Credit Office;
(b) National Discount;
(c) National Dividend.

(a) National Credit Office

A body of statistical experts would be appointed to find out the total financial cost of wealth produced and consumed (say, every six months). We have seen that Production is greater than Consumption and the surplus of Production over Consumption would indicate to them the amount of extra money required by consumers to enable them to buy the total Production.

Taking token figures, if production equalled £500 and Consumption equalled £300, then the consumers would require £200 to make Consumption equal Production. The National Credit Office, would create the necessary “Consumer” credit of £200 (arrived at by Trade Return statistics, etc.), and would distribute it to the community, partly in the form of a Discount and partly in the form of a Dividend.

(b) National Discount

The whole of the required £200 could be created as a credit by the National Credit Office and distributed to consumers in the form of a Discount on purchases from retailers. By this method the whole of the necessary increase of purchasing power would be achieved with a fall in prices.

As the consumers had only £300 to buy the £500 worth of goods produced, they were short of £200 in every £500 of production, i.e., short of £2 in every £5 of production, or 8s. in every £5.

A discount of two-fifths, or forty per cent., off £500 would enable the extra £200 worth of production to be purchased.

Retailers would be credited by their banks with this forty per cent. on every voucher of sale. The banks in turn would receive an equivalent amount from the National Credit Office, which would create fresh credit for the purpose.

Thus the price at which retail goods would be sold would vary according to the relation of consumption to production.

For example, if consumption were £500 and production increased to £1,000, then the consumers would require £500 help in every £1,000 of wealth produced. In other words, they would need £5 in every £10, which would mean a discount of fifty per cent., for if there is only £5 to buy £10 worth of goods, obviously the goods can only be bought if the prices are reduced by fifty per cent.

The Discount, though paid to retailers, would greatly benefit consumers, as they would be able to buy more goods. Retailers would get their full price, i.e., (in the case of the latter example) fifty per cent. from the consumers and fifty per cent. from the National Credit, and would benefit indirectly from the larger turnover.

(c) National Dividend

As machinery increasingly displaces labour, something more is needed besides a discount, which is of little use to anyone without an income. Therefore, instead of allotting the whole of the new consumer credit as a discount, part of it could be distributed as a National Dividend.

This could be paid to every man, woman and child through the Post Office, whether or not they happened to be entitled to a wage or salary from employment, and at first would probably amount to at least 30/- per head a

(Continued on page 115)
DOUGLAS SOCIAL CREDIT cont. from page 114.

week. Thus freedom and economic security would be assured to all.

The total amount of the discount and Dividend added together would be dependent on the surplus of production over consumption.

The larger the discount the smaller would be the amount of £100 to be paid and it would be the duty of policy to decide what proportion should be allotted to discount and what proportion to dividend. To refer again to our previous example, when surplus was found to be £200, there were distrusted and each £500 dividend. The larger the discount the smaller would be the amount of £50 paid to each inhabitant. The total amount of the discount and Dividend added together would be £200. Under these circumstances the discount would be one-fifth or twenty per cent., instead of two-fifths or forty per cent., as the people would now have £300 (wages, etc.,) plus £200 without taxing or borrowing and in such a way that part of the increase of purchasing power would be achieved by the money to bring our buildings up-to-date, to employ men in the production of goods is unlimited. That ability is our cultural inheritance, due to the efforts of the educationists of all time. The National Dividend issued against this, would be based on ascertained statistics of the increase of purchasing power and yet avoid inflation.

The National Credit Programme is the Way.

What are you going to do about it?

The financial system, like Peter Pan, refuses to grow up. It is to help the world to realise its manhood. The financial system, like Peter Pan, refuses to grow up. It is to help the world to realise its manhood. It must be emphasised

It must be emphasised:

(1) That there is potential plenty and actual poverty.

(2) That money should be merely a means of distributing the plenty, so that poverty can be abolished and wars and total disintegration avoided.

That, as machinery increasingly displaces labour, purchasing power should be decreasingly dependent on employment.

(3) That it is possible to create money up to any required amount and yet avoid inflation.

THE SECOND FALL

There has been no uglier superstition than the work superstition, and no siller one. To fall down and worship the god hidden in a tree; here is some poetry, and, despite the fear in it, some truth. But to worship the inanity of needless labour—what will future generations write of this miserable idolatry? Would a savage evolve an idea so futile? Would a thought, and, despite the fear in it, some truth. But to worship the inanity of needless labour—what will future generations write of this miserable idolatry? Would a savage evolve an idea so futile? Would a child—nay, even the village idiot? The civilised man alone can accomplish this.

One can think of man as being in a three-fold relationship. His feet are set upon the earth; his heart goes out to the sympathetic guidance of a colleague he had developed; and his mind functions in the brain. Though these relationships are in reality interpenetrated by one another, it is useful to think of them separately. Looking downward a man sees the good earth which yields him food in all its abundance. Looking along his own level he sees his fellow man whom he must know before he can know God. Looking upward he aspires to what is beyond, but he cannot do this rightly unless his feet are planted firmly on the good soil.

To scorn the earth is to loosen one's stand, it is to fall. One is no longer upright, one thinks of one's fellows as if they towered above one—they become distorted—objects of fear. And no man can begin to conceive of God while he rejects the earth and her superabundant gifts. This, then, is blasphemy, it is the latest and most ignoble of all superstitions, and the punishment for this fall is not the curse of the work-idea and all the misery that brings.

Douglas, Social Credit cont. from page 114.
THE TRADER CONFRONTS SOCIAL CREDIT

"The National Dividend will Reinstate the Unemployed Shopper"

From the trader's point of view and indeed from any other same angle of observation, there is only one unemployment problem that matters. That is the problem of the unemployed shopper.

It is an artificial problem, and it is called poverty. Poverty one side of the counter is called trade depression on the other. Trade depression is simply the outward sign of a widely diffused inability to buy.

The economic system is a flexible mechanism, which, if unhindered, could be neatly responsive to environmental change, and would evolve perhaps slowly, but quite surely towards its final purpose of allowing people to live in free association, and the economy is an ideal of restricted and material security. But to achieve that end it must be a system of making and buying, making and buying, in a perfect reciprocal cycle. Restriction of production defeats its purpose; restriction of distribution eviscerates it.

All economic development is completed by acts of sale, and by nothing else, because the purpose of production is consumption. We make it in order that we can buy. Even capital development subserves the ultimate purpose of creating, carrying, and making available for consumption the great diversity of goods and services possible in a scientific, industrial civilisation. If the final acts of sale are anywhere hindered, the economic system becomes inefficient, for it is failing in its culminating purpose.

Retail trade is the concentrated end of all economic activity.

Buying, as we all know, is a conventional system for achieving distribution, by which stamped or printed claims upon goods are exchanged for the goods themselves. Shops are convenient display centres for localising and indexing the range of commodities on offer, in suitable groups for exhibition and choice. So that, where need exists, all that is necessary for its satisfaction is a glance at the shop-window catalogue of the streets, and the simple process of rendering up general claims upon these goods called coins.

The denominations pounds, shillings, and pence, all goods that should result in perfect freedom of choice. By using the denominations pounds, shillings, and pence, all goods are labelled with a description different from their trade habits.

The purpose of the smooth disposal of economic production to that end result in perfect freedom of choice.

Yet, what has been described as folly is precisely what is happening now. The reason is that there is no liaison between the industrial system which compiles price tickets, and the financial system which controls the issue of demand-tickets, or money, money, instead of fulfilling its distributive function is itself the subject of a separate trade which depreciates its utility in commodity trading.

In order to be profitable to its maker, the banking system, money has to be unprofitable in the wider sphere of its utility, the economic system. It must have a scarcity value in order to have any value at all to those who control it. Its vital function under private control is therefore shifted from that of the smooth disposal of economic production to that of private profit or power. Because of this distorted objective of usury, goods are displayed in the shop windows for which no corresponding demand-tickets exist, and the results are bankruptcy through failure to sell, instalment buying which multiplies the financial future to serve present need, and a whole train of evils which are but symptoms of inefficiency in distribution.

For lack of demand-tickets, wealth is destroyed and its production restricted. And goods are given away without the conventional rendering up of demand-tickets in exchange; for exportation to foreign markets to create a "favourable balance of trade" is merely a device for sending an excess of goods abroad over those received from abroad, not for payment, but in return for a bonded acknowledgement of debt, which is because it is interest-bearing in perpetuity is the natural quarry of the traders in interest, the Money Gatherers.

This exchange for a debt is the only way of avoiding the display of overwhelming quantities of unpurchaseable goods in the shop windows.

Monetary Demand and Real Demand

The lesson of common observation, even if it were not supported by technical proof, is that the stream of goods labelled with their prices flows faster than the stream of demand-tickets called wages. Because the wages of the machines, the most prolific producers of a power industry, are not distributed, there is no balance between the two sides of the shop counters. Any trader knows that the productive system is capable of meeting any demand for supplies which he could put upon it. Production simply waits upon monetary demand. But any trader knows equally well that whilst human need around him is far from being satisfied, monetary demand is exhausted as far as the great majority of people are concerned. What is easily available cannot be bought. Chronic deficiency of purchasing power is the only cause of trade depression.

There is only one way out. That sublime conception, the National Dividend, which is the pinnacle of social ethics as well as the instrument of economic adjustment, which gives collective security without impinging on individual freedom, which is both the end of ages of human striving and the means of present salvation, must become the sole objective of a people lust to perish, until it is an accomplished fact.

For the National Dividend, the political instrument of the economic age of plenty, is the only possible cure for poverty before the counter and trade depression behind it. The National Dividend will reinstate the unemployed shopper.

Charles Jones.

It is the aim of the "Help your Neighbour" campaign now launched by the Daily Express to restore the buying habits of the people.

Funny, said the unemployed man, how one gets out of the habit of buying things.

"Remains of Bodies found in Bank of England"—Headline in The Times.

We trust that their souls have gone marching on, to a land flowing with milk and honey the supply of which is not cut down to meet the shortage of purchasing power resulting from sound financial principles. Consumat in pace.

ANNA

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S.W.I.
NOTICES OF DOUGLAS SOCIAL CREDIT MEETINGS

Notices of Social Credit Meetings will be accepted for this column. Six lines 15, seven to twelve lines 25.

Birmingham Douglas Social Credit Group

Gateshead Douglas Social Credit Group
Oct. 23rd. 7.30 p.m.—At the Co-operative Hall, Whitehall Road. Social Credit Proposals Explained. Speaker, J. E. Tuke, Esq., London. Reserved seats 6d. and 3d. (Limited number free).

Leeds Douglas Social Credit Society
A Mass Meeting arranged by the Leeds D. S. C. S. in co-operation with the Leeds Section of Green Shirts will be held on October 27th, at Belgrave Congregational Church, at 7.30 p.m., when Mr. A. L. Gibson will speak on, "What is Social Credit."

FURTHER MEETINGS:
Nov. 3rd.—"Social Credit or World War." Speaker, Lady Clare Annesley.
Nov. 29.—"The Abolition of Poverty through Social Credit and the National Dividend." Speaker, Mr. R. Kenney.

The London Social Credit Club
Blewcoat Room, Caxton Street, S.W.
Oct. 19th, 7.45 p.m.—Is Roosevelt Right? By Dr. McNair Wilson.
Oct. 26th, 7.45 p.m.—National Planning. By Mr. Brenton, of the New Age.
Visitors are welcome. A short explanation of Social Credit is given at the beginning of every meeting. Hon. Sec. Dr. Mitchell, 2, Bromley Common, Kent.

North-East Area Douglas Social Credit Group
Nov. 3rd, 7.15 for 7.30 p.m.—Annual Dinner at the County Hotel, Neville St., Newcastle. Guest of the evening: A. L. Gibson, Esq., of Sheffield. Tickets 3s. 6d. Dress optional. All communications regarding tickets should be addressed to R. P. Pearson, 32 Crowland Avenue, Newcastle-on-Tyne.

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What to Read

The literature inspired by the idea of Social Credit throughout the world is voluminous. It is our aim eventually to give the readers of Social Credit a record of all publications in support of the Movement. In the following short list of books and pamphlets necessarily incomplete, we have included only publications believed to be available in this country. The following are the works of Major C. H. Douglas:

Books:
- Economic Democracy, 9s. od.
- This book, the original statement of the philosophy and proposals of Major Douglas, is temporarily out of print. It will be re-issued shortly at 3s. 6d.
- Credit Power and Democracy, 12s. 6d.
- The Control and Distribution of Production, 12s. 6d.
- Temporarily out of print.
- Social Credit (new edition), 3s. 6d.
- This book continues the philosophical background of the subject and includes the Draft Scheme for Scotland as an Appendix.
- Warning Democracy, 7s. 6d.
- The Monopoly of Credit, 3s. 6d.

Pamphlets:
- These Present Discontents: The Labour Party and Social Credit, 1s. 6d.

The following are books and pamphlets expounding and supporting the Proposals of Major C. H. Douglas from various points of view:

- Real Wealth and Financial Poverty, by W. Adams, 6s. od.
- Economic Nationalism, by Maurice Colbourne, 3s. 6d.
- This book introduces the subject in easily assimilated form for readers of no previous knowledge of the subject.
- The Douglas Manual, by Phillippe Mairé, 5s. od.
- This is in the nature of a concordance of the works of Major Douglas, and is a most valuable book of reference.
- The Deadlock in Finance, by A. E. Powell, 5s. od.
- Ordeal by Banking, by Allen Young, 2s. 6d.
- Social Credit in Summary, by Arthur Brenton, 1d.
- Through Consumption to Prosperity, by Arthur Brenton, 2d.
- The Veil of Finance, by Arthur Brenton, 6d.
- Introduction to Social Credit, by M. Gordon Cuming, 6d.
- Poverty Amidst Plenty, by C. F. J. Galloway, 6d.
- The Nation’s Credit, by C. G. M., 6d.
- An Outline of Social Credit, by H. M. M., 6d.
- The Abolition of Poverty: A Brief Explanation of the Proposals of Major C. H. Douglas, by R. S. J. Rands, 4d.
- Outside Eldorado, by J. E. Tuke, 3d.

The following books and pamphlets support the general analysis and proposals of Major Douglas but are not devoted solely to the exposition of Douglas Social Credit:

- This Age of Plenty, by C. Marshall Hattersley, 3s. 6d. and 6s.
- Perhaps the most popular exposition of the paradox of shortage amidst plenty. This book has done much to spread the conception of potential plenty held up by financial restriction.
- Men, Money and Machines, by C. Marshall Hattersley, 3d.
- Community Credit, by C. Marshall Hattersley, 1s. 6d.
- Life and Money, by Eimar O’Duffy, 5s. od.
- The Coming of Community, by W. T. Symons, 7s. 6d.

Report of the Economic Crisis Committee of the Southampton Chamber of Commerce, 6d.

Though not falling into any of the above categories this document will repay the study of our readers. It is a masterly analysis of the present economic situation.

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I CANNOT at the moment recall what is the latest cure for diabetes, gout or influenza, but for a long time there has been only one cure for bad trade, and that is Planning for Production.

There can be no doubt about this being the genuine sure-fire cure, because all Parties advocate it—Labour, Tory, Liberal, Socialist, Communist, Fascist or what have you (If you don't see the Party you want in the window ask for it).

All the Parties are agreed that whatever else is done to cure bad trade, production must be scientifically planned, reorganised, decentralised, controlled, subsidised, rationalised, or otherwise straight-waistcoated and stood at attention. Evidently production has not been behaving itself lately. It has been running amok and pouring out things all over the place in a most untidy manner. The whole economic system is so cluttered up with food and manufactured goods that trade can't get anywhere.

The Universe. Whenever a bicycle or a carpet-sweeper or a jew's harp or a motor-lorry or a pair of fire-proof spats or fivers as the new-born money falls gently as the dew "and important laws of sound economics, it is occult. All you mingle unseen with the economic system, wherever that is.

The twin-birth and nobody can understand it. Like all really important theories of economics the productive system automatically produces enough purchasing power to buy all the things it produces. It has been laid down as an axiom, probably somewhere in Genesis, if you could only find it, that whenever any kind of goods are made or food grown, at the same time there comes into existence, somewhere and somehow, enough money for it to be bought. I don't know how it does it, but it is a kind of miraculous twin-birth and nobody can understand it. Like all really important theories of economics, it is occult. All you can do is to accept it, and marvel at the wonders of the universe. Wherever a bicycle or a carpet-sweeper or a jew's harp or a motor-lorry or a pair of fire-proof spats or any other manufactured article leaves a factory, there can be heard, by those whose ears are in tune with the Infinite, the faint and far-off tinkling of tanners and fluttering of fivers as the new-born money falls gently as the dew and mingle unseen with the economic system, wherever that is. It's the same with food. Whenever a cow gets rid of a pint of milk, or a turnip is torn from the soil, or the bung banged into a barrel of beer, at the same moment, mystically and marvellously, its price is added to the three P's, by which I mean the purchasing power of the people, known in algebra as p.

That is why, as I say, none of the economists of whatever Party, Con or Soh, Lib or Lab, Comm or Fash, Oxford or Cambridge, Soccer or Rugger, will have anything to do with schemes for encouraging consumption. All agree that whatever is wrong with trade, it must be the consumer's fault.

We know he must have money somewhere, because the productive system is busy turning it out all the time, but he won't use it. We give him a wide choice of methods of helping trade. First we tell him to save more, then we tell him to spend more, then we tell him both at once. But he takes no notice; he just goes on refusing to revive trade. It's my belief he eats his money. In any case the economists have quite rightly given the consumer up as a bad job, and from now on, whatever kind of government we get, it is going to concentrate on production and let the consumer go to the devil.

We've given him his chance, and as he won't take it we must simply let trade get on without his help.

There is another reason for concentrating on production. It will enable us to keep the people in order. There are people who, finding that the consumer will not or cannot buy more than a fraction of the goods that are produced, propose to give him more money. There is that scheme, for example, mentioned *ad nauseam* in the more remote and less respectable parts of this journal, known as the National Dividend.

I would not lower myself to look too closely at this preposterous scheme. I was captain of marbles at the School of Economics, and I know what is due to the old school tie. But I gather that it means giving the people enough money to buy all they want of whatever the productive system turns out. This would transform an orderly economic system into a mere riot. The people would be able to buy whatever they liked, which would mean the end of western civilisation every night, matinees on Saturdays.

If the people could buy what they liked they would be able to live how they liked. Now, I have made an ex-haustive study of the masses, and can support my theories by a number of interesting lantern slides. And I tell you that the mass of the people are incapable of choosing their own way of life. They have no taste; they would buy the wrong things. To see them even now spending what little they have, is enough to give a man of refinement a pain in the pylorus.

The only way to preserve any sort of culture is to concentrate on Planned Production and let consumption by purchase die out altogether—which, judging by recent Conferences, is the aim of all the Parties.

By this means production will be adjusted to effective demand, that is, to such food, clothing as are thought fit by those who can think fitly, and we shall become a well-planned, well-fed and obedient nation. This will Planned Production bring abundance and security into every home—without knocking.

YAFFLE.