NOTES OF THE WEEK

Taxation—the Modern Superstition.

The idea that taxation is necessary in an age of material abundance is one of the most ridiculous delusions in history. It may be no more grotesque than many other strange superstitions that have enslaved the minds of men, but there have been none more dangerous.

Taxation is the practical expression of the fantastic habit of regarding a nation’s wealth as a nation’s debt. It is robbery in the fullest sense of the word, differing from other forms of robbery only by its colossal scale and the fact that it is legal. It exists because the banking system has been given the sole right of controlling the nation’s credit and, consequently, issues all money as a debt. Yet the national wealth on which this credit is based does not belong to the banks; it belongs to the nation. If the government, in the name of the people, controlled the nation’s credit, it would not have to borrow any money. It could issue credit to any extent necessary to meet the costs of the nation’s goods and services without a penn’orth of sacrifice from anyone.

Taxation is essentially a political expedient and a primary impediment to democracy. It concentrates the power of money issue—the strongest power in the modern world—in the hands of a few persons with no responsibility to the people. It constitutes a complete dictatorship, which grows daily stronger as financial stringency increases. While it exists, all attempts at political or economic reforms are futile and irrelevant.

Yet the power of this dictatorship is itself an illusion. It has neither material force nor popularity behind it. No strife or upheaval would be necessary to dethrone it—only a stroke of the pen. A government has only to be told by an electorate to exercise its constitutional right to control its own financial credit, and the banking monopoly is transformed overnight from the strongest power in the world to our useful servant.

If the electorate can grasp elementary economic realities, we may witness the simplest, yet perhaps the most sweeping revolution in history.

The Country’s Rich, so the People are Poor.

It is always gratifying to our editor, who is fast approaching the age when an after-lunch nap is pleasant and salutary, to find someone else to do his work for him. For that reason we are grateful to the Financial Times (August 24), for what is apparently an attempt to assist us in our Social Credit propaganda. The following, we think is a laudable effort that is headed:


We might leave it at that; one could scarcely desire a more complete essay on the financial system which rules the world than is contained in these unusually candid, but simple and homely words. But we will let the writer, who is the Paris correspondent, proceed to rub it in. He says:

"Certain French writers on economic subjects assert that the wealth of France has become greatly reduced in the past 20 years. They show that one-third of the national fortune has been lost beyond recovery since 1914. On the other hand it is beyond doubt that the productive capacity of France has prodigiously increased within 20 years. It is therefore evident that from the point of view of material wealth the fortune of France, so far from having diminished, has so increased that she is overstocked with the good things of this world, individually, the average Frenchman is becoming poorer, and relatively poorer."

We will pay the Paris correspondent of the Financial Times the compliment of saying that Major Douglas could hardly have expressed that better.
The War Danger.

Once more it is Mussolini who reminds the world how near it is to war. In his speech at the Italian army manoeuvres on August 24th, he said, according to Reuters: “Nobody in Europe wants war, but war is in the air and might break out at any moment. We must not prepare for a war for to-morrow, but for a war of to-day. At the end of July there arose suddenly a situation which recalled that of 1914. We responded promptly by sending troops. It might break out at any moment. We must not prepare for the war danger is not enough. For fifteen years Social Creditors have insisted that the potential cause of war is not the wickedness of men, nor the greed of armament rings and profit-seekers, but the simple fact that the purchasing power of every nation is insufficient to consume its own product. So long as each nation is forced, by its own internal money shortage, to compete with increasing bitterness for the decreasing markets of the world in order to get rid of the goods it cannot afford to buy itself, the world will be threatened with war. Contrary, therefore, to most pacifists, we appeal to commonsense, and the observation of economic facts which are plain to everyone. We do not appeal to the virtues of men, nor make vague demands for a change of heart. Man is good enough for all practical purposes as he is.

Shipbuilders’ “Security.”

Further news of the trade “revival”: It is announced that the Dalmuir works of Messrs. Beardmore & Co., will cease to build main propelling machinery when present contracts are completed. This is the result of an “arrangement” with National Shipbuilders Security, Ltd., a Bank of England concern for rationalising British shipbuilding, or in other words scrapping ships in proportion to the decline in the carrying trade.

The word “security” arouses the question, “Security for whom?” In this connection it would be useful to know who owns our shipping, particularly as taxpayers are to be called upon to pay for government shipping subsidies. If members of Parliament had any curiosity as to the nature of the power that rules them they would by now have demanded information as to what extent these subsidies merely go to pay off the shipbuilders’ bank debts, which is clearly the object of at least a great part of the money devoted, in Mr. Runciman’s innocent phrase, “to the increase of international trade.”

The fact is, shipping is following the path of all other industries—it is becoming increasingly mortgaged to the banks, whose policy is steadily strangling international trade. We can therefore guess at the real meaning of the word: not security for shipbuilders, but security against bank loans, to be claimed when the loans become unpayable—which, under the present financial system, is the inevitable habit of loans.

The fate of British shipping is the perfect example of the incredible perversity of “sound” financial procedure. If, instead of pouring out money which does nothing but increase the indebtedness of useful industries to a parasitic banking system, the Government would devote the subsidies to increasing the purchasing power of the consumers who would buy the goods, there might be some hope for shipbuilding, or in other words for a larger section. But if and when this becomes a fait accompli, it will not be put forward as an election scare. Next time it will be referred to by a Chancellor as “a proof of national stability . . . the nation’s willing sacrifice,” etc., etc.

The Freedom of the Free State.

The Press last week gave prominence to the news that a solution of the Anglo-Irish quarrel is now probable. As a matter of fact, the dispute over the land annuities is, like most political issues of the day, a mere blind for the real economic problem. The British Government placed special duties on imports from the Free State in order to collect a sum equivalent to the land annuities which the Irish wouldn’t pay; the Irish retaliated in tariffs on British imports. Neither gave a thought to the origin or extent of the money with which the people on both sides were to pay for the annuities or the goods. And this raises the whole question of the farce of Irish “independence.”

When the Free State was made “free” the sole right of credit issue for short-term loans (the real government of any country) remained in the hands of the Bank of Ireland, which is a dependant of the Bank of England. As a camouflage, the Free State farmers were given their own—their very own—agricultural bank, which has responsibility for all agricultural (i.e. long-term) loans. The result is that the Irish agricultural population had to bear its own losses, the main banking system being relieved of responsibility for that distressed industry.

This arrangement has had the desired red herring effect, so that the tragedies of the Irish farming industries, with the resultant destruction of cattle and limiting of produce to minimum necessities, have been attributed by the farmers to the inadequacy of their own agricultural bank. The bankers could not do to England what they have done to Ireland—ruin agriculture with foreign loans in the Social Credit

Next—Savings Banks.

One feature of current Italian finance will doubtless be appreciated by British electors. It will be remembered that one of the means by which the present National Government gained office in 1921 was the election scare story about the funds of the Post Office Savings Bank being used to make good our deficit. In this respect it is interesting to note that according to the report on “Economic Conditions in Italy” by the Commercial Counsellor to H.M. Embassy at Rome, Treasury deficits are “to a very great extent” recouped from the funds of the Savings Bank.

It will be recalled that during his interrogation before the U.S.A Senate, Mr. Pierpont Morgan said that “at present the only sources of capital were savings banks and insurance companies.”

This marks a significant stage in the world’s financial disease. It indicates that large-scale investors and promoters do not consider industrial enterprises sufficiently safe for profitable investment. This is natural; under the present system credit can be issued only for production, not for consumption; and the shortage of purchasing power inherent in that system is jeopardising all industrial enterprise. Thus one of the few remaining sources, large enough for industrial financing, is the accumulated savings of the people, concentrated in savings banks and insurance companies, which because they cannot create credit as the central banks can, have to invest their funds. Mr. Morgan was here foretelling, with commendable candour, the point of financial attack. It is significant because it marks a very serious tightening of the financial strangle-hold on the nation. By means of conversions and other “sound” methods, our financial rulers have seriously reduced the incomes of one section of the community. Now they are turning their attention to a larger section. But if and when this becomes a fait accompli, it will not be put forward as an election scare. Next time it will be referred to by a Chancellor as “a proof of national stability . . . the nation’s willing sacrifice,” etc., etc.
31st August, 1934.

The discussion of all other problems is irrelevant nonsense, and the Irish Free State will remain as "free" as a mouse in a trap.

This startling, almost dramatic, breach of the present orthodox rule. What are the facts?

The British Blackshirts are fond of pointing to Italy as an example of the benefits to be obtained under Fascist rule. What are the facts?

Under Mussolini’s guidance, Italy has made marked progress in certain directions. The greatly improved railway service and the restoration of ancient buildings undoubtedly makes the desired impression on tourists. But what is behind this attractive facade? This may be answered briefly by the single word, Debt.

Under the Fascist régime Italy has increased her domestic debt from $85,000,000 million lire to $80,870 million at June 30th last, 25 per cent. in three years. Figures of her foreign debt cannot be given, as the only information published is that showing the balance of the Morgan loan outstanding, a mere 1,007 million, which is not accepted as accurate, even in quarters favourable to Italy.

Italy’s average budget deficiency for the past three years has been 4,917 million lire, and is not likely to be any less for the current year. And seeing that orthodox economic theories insist that a balanced budget is essential for soundness, Italy is in a most unsatisfactory position even from an orthodox standpoint.

It might have been expected in view of the fact that this vast indebtedness has been largely incurred for public works—the orthodox “cure” for unemployment—that Italian unemployment at least would be decreased.

On the contrary, the official figures, which according to the report quoted above are admittedly incomplete, show that the monthly average for 1933 was 1,028,954—an increase of 12,513 over 1932 and an increase of 609,854 over 1922.

Is it a Bargain?

It is interesting to speculate as to why Italy has been permitted year after year, to commit the sin against orthodoxy of an unbalanced budget. Is it, perhaps, an indirect payment for the maintenance of a bankers’ nominee, Schuschnigg, the new Chancellor, in power in Austria?

Or is it merely the natural method of keeping Mussolini under the whiphand of finance, by means of ever-increasing debt?

In either case, as these facts show, Fascism has done no more for Italy than to maintain the same unhappy economic conditions as those under which all other countries are suffering. It has not solved a single political or economic problem. For all the gesticulations and oratory of the great Dictator, Italy is, like all other countries, the obedient slave of exactly the same financial system that keeps all other countries in poverty through a permanent shortage of purchasing power and steadily encroaches upon the liberties of the people.

And to secure these wretched results, Italians have been killed and tortured, and many of Italy’s most gifted and liberal-minded citizens imprisoned, banished or impoverished.

The British Blackshirts would be wise not to point too often to the example of Italy.
Practical Democracy

The Vital Distinction Between Ends and Means.

By W. L. Bardsley.

"I

The definition of an order is "an expression of will conveyed to an executive, indicating what is to be done but not how to do it," and there is no hope for democracy until it learns the simple lesson contained in that definition. First, a democracy must learn that if you tell anybody how to do a thing you absolve him from all responsibility. Secondly it must learn to recognise at once when it is being asked to decide upon details of how to do something without having been consulted on what to do.

The Electoral Campaign to bring Parliament under popular control in regard to objectives—and not in regard to the means of achieving them—proceeds, clearly and logically, from the definition of an order. We invite the people of this country to convey an expression of their will to Parliament indicating what they want done and not how it shall be done.

Never Mind Methods.—Demand Results.

If we tell people that poverty can be abolished, and they agree that they want poverty abolished all they have to do is to demand it. Yet many of them will want to start an argument about how it is to be done. They must be shown that such an attitude is a menace to themselves, to their neighbours, and to democracy.

"It is this necessity for the recognition of the psychological moment, and the fitting to that moment of appropriate action, which should be present in the minds of that small minority which is seized upon by the gravity of the present time. To have a clear understanding of the principles which underlie the problem is essential to those who may hope to play a part in its solution... "—Social Credit." Part III. Chapter 3

The small minority has grown larger since those words were written, and the psychological moment is nearer at hand. In fitting to it the appropriate action, which now is, the purification of democracy, the clearest understanding is essential of the distinction between policy and administration.

A democracy which works has immense powers in the domain of policy, and possesses the perquisite of policy, which is the endorsement or rejection of personnel. It throws away its powers as soon as it is inveigled into decision on technique or administration. If it yields to this temptation, it merely hands an alibi to its representatives.

Examples from Every Day Life.

"I

Lucky or unlucky, pressure of competition has induced the commercialist to exploit the public confusion of these matters in ways, the detection of which forms a practical exercise for those of us who wish to become initiated, just as we are initiated in the detection of the policy of work for work's sake in the speeches of public men. When you go into a shop to buy a hat, and are not quite decided, the assistant tries to undermine your choice of policy, to buy or not to buy, by asking: "Shall I send your old hat home for you?" (Exercise No. 1).

One of the big firms engaged in what is known as the "door-to-door business" has an instruction book for its house-to-house canvassers with quite an elaborate technique set out on how to get a "prospect" to make decisions which assume that a sale has been made. The whole thing is done very cunningly by asking questions to which the answer must be yes; this makes it progressively harder to say no, and at last comes the question "would you prefer delivery in the morning or the afternoon." (Exercise No. 2).

This is followed by a devastating sequence requiring immense self control if the answer is to be "no" to each: "Shall I bring this and that, or this and the other, or would you like all three?" "No!" "Oh, you want this and that?" "No!" "I beg your pardon, this and the other?" "No!" "Oh, this and that?" "No!" (Exercise No. 3).

The whole process is epitomised in the old song "Ye'll tak the high road, and I'll tak the low road, and I'll be in Scotland afore ye!" To which some people might wish to reply: "But I don't want to go to Scotland at all!!"

Let us Practice what we Preach.

The first requirements of the Social Credit Movement, in its campaign to purify democracy, is to practise what it preaches; and, in electing the body which must co-ordinate and realise the Social Credit, and, as its perquisite, the approval or replacement of personnel. Let it beware of two things.

The first of these is to beware of claiming a voice in administration, which would be to surrender the power of fixing responsibilities.

The second is to beware of claiming a voice in administration, which would be to undermine efficiency by trying to tell experts how to do their job.

All history shows that the people are ruthless if their leaders fail them; let us see to it that, by giving orders as orders should be given, we give our leaders the chance to succeed. By that principle, too, we may know in time if they fail.

What they are aiming at.

A report has just been issued in Washington giving the "improvements" effected up to date by the New Deal.

The section devoted to the public works programme shows that $3,665,000,000 out of $3,700,000,000 voted by the Congress has now been allotted and 30 per cent. spent. The New Deal explains that $3,665,000,000 out of $3,700,000,000 voted by the Congress has now been allotted and 30 per cent. spent. The New Deal explains that $3,665,000,000 out of $3,700,000,000 voted by the Congress has now been allotted and 30 per cent. spent. We note that the Report categorically describes un-employment as "the primary problem of recovery." This programme of this vast programme is merely the application on a colossal scale of the fundamental fallacy of orthodox economics: that in an age when the progressive displacement of man-power is natural and inevitable, modern governments can think of no way of disposing of purchasing-power, necessary for the distribution of an almost unlimited potential supply of goods, except by making even more work, and mortgaging the nation's capital wealth by borrowing the money for it.

The second point implies an interesting comment on "sound" financial principles. The Public Works Admin-

istrator has recommended that the power to make loans should be continued for another two years. This, as the Times points out, "would necessarily destroy all hope of a balanced Budget in 1936."

Having always been told that a balanced budget is essential to national stability we await with interest an orthodox answer to the question: If a nation cannot have a balanced budget as well as a trade recovery, which of the two essentials ought to be sacrificed?
The popular press have regaled the public with the body-line bowling controversy, now has a new topic in the declaration of trade war by Lancashire on Australian interests in the market of the country. If what Lancashire thinks to-day, England thinks tomorrow, holds good in this connection, the outlook for trade between the two countries, is as unsatisfactory as that for cricket.

At Ottawa, in 1932, Australia and Great Britain signed a trade agreement which, it was claimed, would increase Britain's share of the trade in manufactured goods in Australia, and Australia's share of the British market for foodstuffs and raw materials. Under this agreement Australia undertook to afford protection only to those industries which are reasonably assured of sound opportunities for success, and to revise existing duties in order to give United Kingdom producers "full opportunity of reasonable competition" in the Australian market.

They Called it an "Agreement."

Naturally enough this agreement was very unpopular with the Australian industrial interests, who regarded it as an attack on the policy of economic nationalism, which, hitherto, had received encouragement from the government; this indeed it was.

Realizing the danger to his party at the forthcoming election of the industrial interests, the Australian statesmen, that Australian industries were being sacrificed for the benefit of British exporters, Mr. Lyons, the Prime Minister, has reversed this policy in respect of some important trades, namely, cotton, flax and certain electrical equipment, upon which greatly increased duties have been imposed.

The immediate reaction in England to this step, has been an attack by the Lancashire cotton trade on Australia, which, it is suggested, has broken the Ottawa agreement; and the representatives of the industry are being urged to boycott Australian produce as a retaliatory measure. A deputation from Lancashire has protested to the Board of Trade, and to Mr. Bruce the Australian High-Commissioner. These protests have been forwarded to the Australian Government, but obviously Mr. Lyons will not take any action upon them before the election, and after it he may not be in a position to do so.

It is the so-called body-line bowling controversy over again, but in more serious form. This time the accusation is made by the British side, and is that Australia is adopting policies which might well be called body-line trading. The analogy between these two controversies is, that what is called body-line bowling has been employed by Australian produce as a retaliatory measure. A deputation at the county.

"calling what might well be called body-line trading. The analogy between these two controversies is, that what is called body-line bowling has been employed by Australian produce as a retaliatory measure. A deputation at the county.

The British Common Wealth.

If this is to be avoided, the British Commonwealth of Nations must become a fact and not merely a pious aspiration. The ever-increasing commonwealth of each constituent country, at present largely mortgaged to the financial system, must be distributed to its true owners, the communities. The means of a National Dividend is theirs by right, as a heritage from the labours of the past, and as the increment of association in productive enterprise. Only when the peoples of each country are able to purchase the total output of their industrial systems, instead of, as at present, having to try and force other countries to take what they themselves cannot afford to buy, will it be wise to enter into trade agreements. For it is only in such circumstances that countries can meet as equals wishing to arrange a friendly exchange of goods, and not as rivals desperately anxious to get rid, at all costs, of goods unsaleable at home. Similarly, only in such circumstances, are sporting events likely to increase friendship between nations. Strained commercial relations destroy the spirit of sport, and transform such events into national advertising campaigns, victory bringing additional business to the successful country.

Accusations of unfair practices in international relations, whether sporting or commercial, will only be eliminated by transforming the financial system from a means of government, which it is at present, into a mechanism the sole purpose of which shall be the distribution of the abundance now potentially available.

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One Year 10s. 6d.
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Austria
Ten Years' Misery the Price of "Stable" Finance.
By NATIONAL CREDITOR.

LITTLE more than ten years ago the people of Austria, in spite of their defeat in the European war and the sense of humiliation that inevitably followed, were dumb-founding their foreign visitors by their prosperity.

After the war, reconstruction was necessary in Austria as in other countries. In Austria, however, the new money required was not, according to reports, circulated in the customary way as bank loans. It was given outright to the merchants on conditions that they reduced the prices of their goods proportionately. Hence there was no inflation; and the primary necessities of life were sold below cost.

The result of this experiment in what was virtually a form of consumer-credit, was a sudden and remarkable industrial activity. Ample evidence of the prosperity of Austria at that time may be gathered from Colonel Repington's Diary. On April 11th, 1921, he writes:

"Am impressed by studying the Austrian papers. They seemed detached and indifferent about foreign affairs, but are full of accounts of all sorts of new or extended industries springing up, and I counted 23 pages of commercial advertisements in Sunday's Neue Freie Presse. I read and hear of every kind of old industry being extended and of some new ones opened. New machinery is being employed, and on the farms prize stock cattle are being bought and farm buildings improved. . . From Upper and Lower Austria, Styria and the Tyrol it is all the same story of new developments, and what is really going on is an endeavour to make the new Austria less dependent on her neighbours and less forced to buy abroad in markets made fearfully dear by the exchange." He went on to describe how a loaf was then sold for nine kronen but cost 60 kronen to the State, and "even a Rothschild is paid therefore fifty-one kronen by the State for every loaf he eats."

A Pioneer Effort to Solve the Money Problem.

Indeed, all the evidence points to the fact that Austria, had it not been for subsequent interference from outside, had come nearer to a final solution of the money problem than any other nation.

But this experiment, although the only means of bringing food and industry to a starving and ruined people, was contrary to the principles of orthodox finance obtaining throughout the rest of the world. The Austrian Government had not the strength to withstand the pressure against her of the strongest force in Europe—international finance. According to orthodox principles, the money which the Government was presenting to its subjects for the purpose of distributing its wealth had to be regarded as a debt. Austria was a beaten nation; the financiers of the victorious Allies were not going to forego their claims on Austria's assets. When Great Britain in later years had either to default on her foreign debt or borrow abroad, Great Britain defaulted. Austria was forced to borrow.

The League of Nations, organising an international loan to Austria in 1926, did not act as the agent of a world Commonwealth of Nations assisting an unfortunate but conscious debtor to her feet. The League acted as the agent of the International Central Banks, whose system is a veritable rod for debtors. In return for the means with which to preserve her good name, Austria had to open her national finances to inspection and supervision, and to re-establish the Central Bank Monopoly of Money exactly to the pattern approved by Governors of Central Banks all over the world, together with the policy of Budgets balanced out of taxation.

Enter "Sound" Finance—Exit Prosperity.

Austria was thus obliged to enter upon a policy of vigorous deflation, and deflation in Austria had exactly the same disastrous effects everywhere else: lower income, higher taxes, and industrial stagnation in place of development.

The people were thrown back into starvation, and in place of the signs of increasing prosperity noted in the diary quoted above, suicides and bankruptcies became again the regular features of the daily press.

With the League of Nations holding the rope round Austria's neck, Austria looked about for ways of survival.