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POLITICAL ECONOMIC CYCLES ELECTORAL MYOPIA AND TRIUMPH OF THE MONEY POWER

Alan Armstrong

There is in mainstream economics a group of theories, which set out to explain how politicians and parties attempt to ensure their election and subsequent re-election. One of the most interesting of these is that of The Political Business Cycle. This theory shares with the others, the view that political parties and elected representatives are essentially guided by self-interest, rather than by the public interest. It has been used to explain, at least in part, the rise and fall of macro-economic cycles involving prices, production and employment. It explores the notion that governments make decisions and behave in ways designed to ensure that they remain popular with the general electorate, and perhaps even more importantly with *powerfully influential*

special interest groups, in order to enhance their prospects of winning the next election. Hence the careful husbanding of resources in the early part of a government's term in office, in the hope of building up a "war chest" with which to engineer an "over-expansion of public expenditure programmes" and engender voter popularity during the run up to an election.

The complementary element of the theories is the proposition that electorates themselves are myopic. As a result they frequently forget their anger that government pledges have been unfulfilled in the earlier years of the new government, and so, in the light of the subsequent loosening of the purse strings, are just as frequently persuaded to lend their vote again to the incumbent party.

The theory is certainly not watertight in practice, governments do come and go, but it is justified more often than is good for the reputation of the democratic process. The related absence of a consistently expressed, and long term view, by the electorate of what is actually good for society and the environment, ensures in fact that the proximate causes of most of our socio-economic problems are never properly identified. And as a result these problems are never satisfactorily addressed on any lasting basis.

And so, if we consider any arbitrary period - e.g. the twentieth century - we may note that around the world, we have had a very wide variety of governments; Labour, Conservative, Liberal, Social Democratic, Communist and Fascist -

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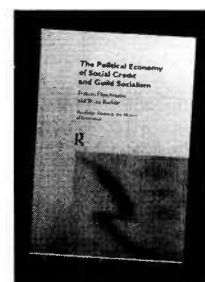
The Political Economy of Social Credit and Guild Socialism

Frances Hutchinson and Brian Burkitt

Published by Routledge (1997) in its hard back series Studies in the History of Economics. Price £55.00

This book represents a very significant contribution to understanding the roots and continuing significance of the Social Credit analysis and prescription for profound economic reform. Agreeing with the authors that "following half a century of neglect, these texts possess the potential to provide the basis for a new economics of co-operation" the Secretariat has a few copies available to readers at £33.00 including post and packing, on a first come, first served basis.

Please make cheques payable to "KRP Ltd." and order from: Ronald Macintyre, Secretary, The Social Credit Secretariat, 16 Forth Street, Edinburgh, EH1 3LH.



each following one or other of the mainstream orthodox economic models. Each expected to be more successful than the last. Yet everywhere throughout the period, we have observed the same distressing results; poverty amidst plenty, homelessness, unemployment or underemployment, escalating indebtedness of every sector of the world's community - national governments, local governments, business and consumers, - ending in the reality of, or tendency to, periodic social breakdown and the imminent prospect of truly devastating environmental breakdown.

Surely, the only sensible conclusion we must draw from this observation, is that the socio-economic and environmental problems which so concern us, are simply too complex to be resolved, no matter which kind of government we elect or what kind of mainstream economic policy we are persuaded to follow. Or that there is some significant causal factor/s which, by design or neglect, is/are studiously ignored by both politicians and electorates, and as a result, are neither properly analysed, nor effectively dealt with by successive governments.

THE DEBT-MONEY SYSTEM

There is indeed one such factor, which is of absolutely primary importance. It is the one we have so often referred to. It is the fractional reserve monetary system, which simply must be reformed if our other pressing socio-economic and environmental problems are ever to be properly addressed and eventually resolved.

Its importance is reflected in the fact that, over the last three hundred years, there has been an unrelenting struggle between democratic institutions and international bankers for control over the authority to create and issue the nations' money supply. The nature of the process can be observed in our national statistics. In 1948, for example, the British government created and **spent** into the economy, interest free, £1.3BN

while commercial banks created £1.4BN which they **lent** into the economy in the form of interest bearing debt. Some fifty years later, in 1996, government created £22.4BN while commercial banks created £563.6BN!

On the 5th. of March 1997, the Earl of Caithness suggested that a debate on the economy in the House of Lords had come "*at a most interesting time in the run-up to the general election and, as a result, we could not have envisaged the parties opposite saying anything thought-provoking or interesting about the economy.*" He suggested that it was however, "*a good time to stand back, to reassess whether our economy is soundly based.*" He then went on to suggest that it was in fact, not soundly based, because "*our whole monetary system is utterly dishonest, as it is debt-based... (and) ...has within it its own seeds of destruction.*"

He noted that the money supply in 1971 was just under £31 billion whereas "*at the end of the third quarter of 1996 it was about £665 billion*" and that during the intervening 25 years government had "*minted only about £20 billion*" of the increase, whereas "*It is the banks, the building societies and our commercial lenders who have created the balance of £614 billion.*"(1) There can hardly be clearer evidence of the proposition that banks are not simply financial intermediaries, taking in depositors' savings and re-lending these at a higher rate of interest, in the process of earning income and profit. They are unequivocally **creators** of credit which they claim ownership of, and lend into the economy only in the form of interest bearing debt.

Indeed the central proposition of basic orthodox economic theory, that savings equal investment (S=I), is simply unsustainable. At best this might describe a simple steady state economy. But in an advanced debt-based economy, there **must** be growth if interest on debt is to be paid. For such an economy to grow however requires that the money supply must also grow, and for the economy to keep growing there must be continuing growth in the money

supply. Therefore, the central question of economics (which is very rarely addressed even by academic economists) should be, how might this need for a continuing growth in the money supply be best achieved? Is it better that an institution, answerable to the community, should produce the community's money supply in the public interest? Or is it better that private profit-oriented institutions - commercial banks - be allowed to create and issue the money supply, **claim its ownership, and lend it as interest-bearing debt** for the principal benefit of their shareholders?

Lord Caithness shows that in Britain the answer has essentially been the latter, and that to a huge extent, the necessary increases in the UK money supply have been produced as interest-bearing debt, by the banking sector, in the private interest.

This is of course an arrangement, which is not confined to Britain. It is universal and it has been arrived at only after a monumental struggle over three centuries between public and private interests. William Hixson for example notes, after a detailed examination of two hundred years of struggle for control of the money supply in America, that by 1914 the banking lobby had "*finally prevailed over common sense and over the public interest; banks created money apace, and government created none. A more inane and shameful abnegation of government power is hardly imaginable.*" (2) And in yet another remarkable book (3) Hixson also demonstrates, in the table reproduced below, how in America during a similar period to that referred to by Lord Caithness, the creation of bank credit and legal tender money created by government very closely mirrored that of the British experience.

These statistics are the subject of public record, but when presented in this relationship they reveal with great clarity why our debt-money system is at the root of so many of our socio-economic and environmental problems. Furthermore, since virtually all of the money supply is now created by commercial banks, it finds its way

TABLE 15-5
INCREASE IN THE U.S. MONEY SUPPLY – 1947-1987
(Dollar Amounts in Billions)

Year	Deposits MCB	Currency MCG	Deposits + Currency MCB+MCG
1947	\$ 125.8	\$ 44.9	\$ 170.7
1987	\$3283.3	\$ 272.1	\$3555.4
Increase	\$3157.5	\$ 227.2	\$3384.8
Increase Percent of Total	93.3%	6.7%	100%

(MCB = Money Created by Banks. MCG = Money Created by Government)

into the economy only in the form of interest-bearing debt. When banks agree to lend that money however, they clearly do not create, simultaneously, any money with which the interest attached to the loans might be paid. Yet the interest must be included in final market prices. There must therefore be, period by period, a shortfall in purchasing power at least equal to the total interest applied to the sum of the loans.

In fact the shortfall is even greater than this. For there are a number of other factors, most of them related to this debt-money arrangement, which aggravate the observed purchasing power deficit. Of these, probably the most significant is the fact that in a modern dynamic economy, fairly long production periods are required prior to final goods appearing on the market. Consider for example, the process of design and construction of a major project like the Channel Tunnel, or that even a new model car may take upwards of five years to move from drawing board to showroom. During this lengthy production period, payments are made to suppliers of intermediate factors of production and are returned by these suppliers as repayment of loans to the banks, from whence they were first issued, for cancellation. **When the money represented by these payments is cancelled in the books of the banks, it clearly also disappears from the economy, in advance of the liquidation of prices of the final goods to which they relate, and the deficit in total purchasing power is further**

exacerbated.

The effect of these and other factors is that, on a global basis there is period by period, a chronic shortage of purchasing power and a corresponding tendency to growing surpluses of goods and services.

We may attempt to ameliorate this problem by exporting the resulting domestic surpluses, but since the system is universal, so is the surplus problem. A struggle for exports results, and from time to time it escalates to the level of "trade war", and sometimes to real military war.

We may try to help ameliorate the problem by inducing consumers to borrow against future income, using a variety of consumer credit arrangements, and in this way further **postpone** the full impact of the purchasing power shortfall. In fact in the UK outstanding consumer credit, *excluding mortgages*, grew from £56.1billion to £87.4billion in the ten years between 1987 and 1997! (4)

We may try to resolve the problem by stimulating still greater economic growth, despite the damaging implications for the global environment, with which we are increasingly familiar. For in this way, during the process of this new production, additional purchasing power is continuously released as wages and salaries and helps to clear current surpluses. But again, for reasons already noted, when the new production appears on the market the purchasing power deficit will have become even greater.

And meanwhile, the indebtedness of every sector of the community - national and local governments,

business and consumers continues to grow. As a result, there can be no escape from increasingly severe periodic crises of over-indebtedness, during which bankers are forced to call in their loans or claim title to related collateral. There is a reduction in economic activity, bankruptcies, unemployment and an increase in all of the associated social ills that inevitably flow from an imploding economy.

Today, we may observe a global economy approaching such an implosion. As in the late 1920s and 1930s we note rapid change in the structure of the economy. On the one hand the speculative frenzy in TMT (technology, media and telecommunications) shares and in the "real" economy rapid consolidation by merger and take-over tending to oligopoly if not outright monopoly. Although absolute unemployment is not yet on the scale seen in the 1930s we have, in addition to those who are unemployed, very large numbers of people engaged in low paid, insecure and dispiriting employment. And, in addition, we face huge new and escalating ecological problems of

QUOTE

"The annual bill for paying interest on the national debt is some £20 billion, roughly equivalent to £500 a year for every person in the country. Indeed, we spend substantially more on debt interest than we do on defence or education... (but)... If the Chancellor succeeds in running large surpluses, this debt interest total will start to fall... but this is constrained to be a budget for the City, with the prospect of thereby bringing about the circumstances that will please the voters in just over a year's time."

(Roger Bootle writing in *The Times* of 13th. March 2000, on the budget due on the following Tuesday.)

population growth, resource depletion, economic migration and climatic change etc.

It is well past time therefore, that there was powerful and co-ordinated organisation for radical reform of the monetary system. Such change to involve, inter alia, the return of the authority to create the nation's money supply to the state, under strict rules, so that we might have at last, a sound basis on which to find lasting solutions to most pressing social, economic and environmental problems. In this context, it is vitally important to understand that such transfer of power of money creation to the state, via an independent National Credit Authority operating to strict rules, would not result in inflation. Those who suggest otherwise must tell us why money creation by a National Credit Authority is bound to be more inflationary than the **same** money created by private bankers. They should also explain why it is that, despite the rapid transfer of this power of money creation **from governments to private banks** over three centuries, inflation has remained chronic in the system.

The important condition needed to prevent inflation is simply that the money supply should accurately reflect period by period, the real potential of the economy to produce those goods and services which it is agreed should be produced. That is a condition that is not possible to engineer under current arrangements, because of the characteristics of the current monetary system. It would however be a central feature of proposed reform, that there would be appropriate intervention by the National Credit Authority when it was agreed that (a) human and physical resources were being under-utilised, or (b) the wider community interest appeared to be disadvantaged. The Douglas proposals that;

1. There be new monetary arrangements involving a National Credit Authority with responsibility, under strictly applied rules, to create, interest free at source, the nation's money supply.
2. Newly created money be spent into the economy in the form of:-
 - a. A National Dividend to every citizen.

- b. Voter approved government provided public works
- c. Prime Adjustments (a kind of negative VAT) to ensure price stability.

would change greatly for the better, the very nature of our society and economy. Economic cycles, as we know them, would disappear from our economy and governments would not require, or indeed be allowed, to resort to manipulating expenditure in order to ensure their continuance in office. The related theories with which we began would disappear from the lexicon of economic theory.

Notes

- (1) Hansard, Vol.578, No.68, columns 1869-1871
- (2) William F. Hixson, *Triumph of the Bankers*, 1993, Preager, Westport, Connecticut, London, pp181/182
- (3) William F. Hixson, *A Matter of Interest, Re-examining Money, Debt and Real Economic Growth*, 1991, Preager New York, Westport, Connecticut, London. P.159
- (4) Social Trends 29,1999, Table 6.18

MONEY AND THE PRICE SYSTEM

By C.H. Douglas

A speech given at Oslo on 14 February 1935 to H.M. The King of Norway, H.E. The British Minister, The President, and Members of the Oslo Merchants Club.

(Continued from TSC issue March-April 2000 issue of The Social Crediter)

HOW THE BANK PAYS FOR GOLD

That may seem to be a rather startling statement, but you can understand it best if you consider the purchases of gold by the Bank of England. The Bank of England goes into the gold bullion market and buys what is called a million pounds worth of gold. It takes the gold and writes a cheque on itself. That cheque fundamentally, apart from the cost of keeping clerks, etc., costs exactly the paper and ink with which it is written.

This is accepted as payment by the

persons who sell the gold, not because it represents the value of the gold but because, when that cheque is paid into another bank account in the country, it can be drawn upon as payment for goods and services supplied by the rest of the country so that, so far as the Bank of England is concerned, it is merely equivalent to writing figures on a piece of paper.

That is true also in regard to the creation of national debt, and the process is not dissimilar. The Bank of England gets the gold, but the industrial system really makes the payments in goods and services. In the

case of national debts, the banks get the securities and the country produces the wealth on which they are a claim. In addition to that you have the fact that there is always a deficit of available purchasing power. This deficit has to be met to a greater or less extent, so that the process may go on; and the making up of the deficit by the creation of loans is, of course, the chief business of the banking system; it is the business by which ultimately the whole of every country - its industries, its loans, its institutions - (I am endeavouring to use the most conservative phrases) -

must mathematically go into the control of the financial institutions, since they alone have the possibility of meeting these deficits in purchasing power which sooner or later must occur in every business relationship.

THE MONOPOLY OF CREDIT

That is the position which exists at the present time, and I have dwelt on it to some considerable extent, because if I have made it clear - and I realise that the picture is not an easy picture to draw and must be particularly difficult to apprehend when you hear it in a foreign language - if I have given you an idea of this situation you will realise that it has two sides, and it is very difficult indeed to say which is the more important side. It has, as you might say, first the technical side where you have a system which is operating badly and which under present conditions must continue to operate even worse; and, secondly, you have an enormous vested interest in possession of the most powerful monopoly that the whole history of the world has ever known, the monopoly, as we call it, of credit, the monopoly of the creation of and dealing in money, a monopoly against which any other monopoly pales into insignificance - and it is determined to use every weapon to retain this monopoly.

In the modern world it is possible to do without almost any single material thing. It is possible to do without pepper,* possible to do without a considerable number of things, but it is practically impossible for any of us to go through twenty-four hours without either money or the "credit" which attaches to the belief that we shall have money available sooner or later. The monopoly of the control of the money system is the great over-riding monopoly of the world as it is worked at the present time. And, if you just realise - as you will realise in dealing with this problem - that it has not merely an economic or mathematical side, but also a side which penetrates

into the very highest politics, I will at once leave that political side, to which, however, I wanted merely to refer.

May I take you back to the obvious mathematical or mechanical side? To put it very shortly, the core of the defect in this price and money system under which we operate at the present time is that it cannot, without the help of the banks, liquidate "costs" as they are produced; or, to put it another way, it is under an inevitable necessity of piling up debt at an increasing rate. The perfectly simple cure for that situation is to *create money at the rate at which debt is created*. And taking, let us say, the very simple statement of Mr. McKenna, that every loan creates a deposit and the repayment of every loan destroys a deposit, it is quite obvious that, if you create money even at the astronomical rate at which debts are being created, you can apply the money so created to the liquidation of the debt, and both money and the debt will go out of existence at the same time. In that way the process will, as it has not for many hundreds of years past, become a self-liquidating process which can be carried on indefinitely.

DEFINITION OF INFLATION

Now there are two ways by which purchasing power can be increased. In Norway, not very far from both Russia and Germany, I feel that the idea of what is called inflation is one which could very easily have great terrors for you. This word inflation is one which is always raised by bankers and those whose interests are with bankers, when any question of modification to the system is raised. It is a kind of bogey-bogey which unfortunately at once frightens everybody, and there has been good reason why they should be frightened.

The first thing to realise is the true meaning of inflation. Inflation is not an increase of *purchasing power*, it is an increase in the number or amount of money tokens, whether paper or otherwise, accompanied by an increase in price, so that both the

money-to-spend side is, in figures, raised and the price side is also, in figures, raised. That is true inflation. It is simply a multiplication of figures without altering the relation between money-to-spend and price, and, of course, is a tax on savings. An increase of money-to-spend is *not* inflation unless it raises prices. On the other hand, with a given amount of money-to-spend, a given total of money tokens and a *fall* in prices there is an *increase* of purchasing power.

You can get an increase of purchasing power by one of two methods. You can either keep prices constant and raise the quantity of money tokens, assuming that it is possible to do so, or you can keep the money tokens constant and lower prices; or, of course, you can do both of them at the same time.

Now, broadly speaking, what we are aiming at in the Social Credit Movement is, in the first place, simply to increase purchasing power so that the money system shall become self-liquidating, and, secondly, we are aiming to meet that condition, at which I just hinted at the beginning of my talk, that fewer and fewer operators are required to tap the machines of industrial production.

Here in Norway, as elsewhere, you are familiar with the picture of the present crisis as a crisis of unemployment. Now that is a phrase of the same nature as that "Mr. Jones is making money." It gives a delusive picture of what is going on. You have to recognise that some of the best brains (scientists and others) have for 150 years or more been endeavouring to put the world out of work - and they have succeeded. Production, industrial production, is in itself a misuse of terms: there is, to be exact, no such thing as production. The law of the conservation of energy and matter prohibits the use of the word production in any exact sense in that connection. What you do is to change matter from a form in which it is not useful to human beings into a form in which it is useful, and that transformation always requires power. Until 150 years ago we provided that

power by eating as many meals as we could get and by employing the power of the muscles of our arms. When the first steam engine was made that process became obsolete. The power which is required for this transformation of matter from one form into another is now supplied from the sun more directly and in the form of water power, driving water-turbines, dynamos, motors of workshops, and so on.

Let me give you one instance in my own experience. In 1921 the American Buick car, with which you are quite familiar, I think, in Oslo, took 1,100 man-hours to produce in the Buick works. In 1931, ten years later, a much better car with many greater refinements and more gadgets took 90 man-hours to produce. The fall in the man-hours of production in ten years was over 80 per cent, and, while that may be an extreme instance, similar things are going on everywhere.

A friend of mine, an airship builder, approaching this matter from a totally different angle, said that, if we continue in the same way in Great Britain as we are doing, by 1940 we

should have 8,000,000 unemployed. There are said to be 12,000,000 employable people in Great Britain, yet all the goods required in Great Britain could be produced by about 3,000,000 people. That state of affairs, the result of effort which has everywhere been made by our best brains for fifty years, is always referred to as an unemployment problem, as if it were a catastrophe!

Whether it is a catastrophe or a magnificent achievement depends purely on how we regard it, because so long as people demand of us that we must solve the unemployment problem - while our best brains are, in effect, endeavouring to increase the unemployment problem - it is obvious that we shall get nowhere. From our point of view, the point of view of those who share my views, we say this is a magnificent achievement. The so-called unemployment problem is really a problem of leisure, and the only thing which differentiates, let us say, myself from one of the unemployed is that I happen to be fortunate enough to have a certain amount of purchasing power, whereas the unfortunate unemployed has not.

The problem really is a problem, first of the distribution of purchasing power to those who are not required, and will decreasingly be required, in the industrial system, and, secondly, of ensuring that the total purchasing distributed shall always be enough to pay for the goods and services for sale. To meet these conditions we have put forward a number of tentative proposals, none of which, at any rate so far as I have myself any responsibility, is claimed to be final, rigid or unchangeable. They are merely suggestions based upon an analysis of the point of view, which I have put to you tonight.

* reference to the current attempt to "corner" pepper.

(To be continued in July/August issue; National Dividend and Subsidies to reduce Prices.)

The editor regrets that a number of typographical errors occurred in the first instalment of this speech in the March/April issue. They did not however affect, in any material way, the sense of Douglas's message.)

Bookreview by Frances Hutchinson

RESTRAINING THE FOUR HORSEMEN

The Lugano Report: On Preserving Capitalism in the Twenty-first Century

By Susan George

Pluto Press, London, 1999, £9.99.

"A brilliant, terrifying book which should be on the bedside table of every policy maker in the West". (Victoria Britain). Susan George's latest masterpiece represents the culmination of her 25 year battle to document the causes of hunger, famine, debt and structural adjustment.

Titles such as *How the Other Half Dies* (1976), *Faith and Credit* (1994), *The Debt Boomerang* (1992) and *Fate*

Worse than Debt (1987) have become best sellers. Now *The Lugano Report* presents a message which is at once stark and powerful. If Western 'civilisation' is to continue far into the 21st century, global corporations will need to take positive steps to preserve free market capitalism in the light of the disintegrating global environment.

The book is set out in the form of a report commissioned by "one or two prominent, though informal groups". Setting aside ethical considerations, the highly paid but anonymous working party of "policy intellectuals" identify potential threats to the free-market capitalist system, examine the likely course of the world economy, and make recommendations of strategies necessary to ensure

survival of the system. In her conclusion, the author states: "The Lugano Report is as accurate, sober and detached an assessment as serious research could make it. Aside from the basic conceit, nothing is made up and I would not be in the least surprised to learn that a similar document has actually been produced by a real-life Working Party." Thoroughly researched, the Report is presented with clarity and perception.

The facts documented throughout the Report build a picture of rising populations, increasing ecological degradation accompanied by a sharp divergence between the interests of the affluent elites and the vast masses of 'losers' mainly, but not exclusively in the countries of the South. Although economic growth has heretofore been regarded as a 'good thing', unmanaged growth will give rise to unmanageable pressures on the environment, leading

to economic chaos which would impact on rich and poor alike. The Working Party concludes that free-market capitalism can only survive if present population trends are reversed, and the world population is reduced by one third, from its present 6 billion to around 4 billion.

Deliberate mass exterminations would carry negative impacts on the economy and the environment, while being costly and politically unacceptable. The Working Party therefore advocates in meticulous detail the judicious management of naturally occurring 'Population Reduction Strategies' such that losers self-select or appear to be accidental victims of naturally occurring phenomena. Historically, population reduction has occurred through conquest, war, famine and pestilence, represented by the Four Horsemen of the Apocalypse. The scope for building a consensus in favour of population reduction on the basis of ethical, economic, political and psychological strategies using the Four Horsemen is alarmingly realistic.

As George deftly demonstrates, leaders of global corporations and their transnational structures World Trade Organisation (WTO), European Round Table of Industrialists (ERT) and the like have

the potential capacity to restrain the power of the Four Horsemen to their own ends. However, in my view it is most improbable that they would use it. They might conceivably limit the force of destruction by conquest, war, famine and pestilence to the "illiterate, unemployable, superfluous" and "degenerate" "losers". This might be done in order to maximise the numbers of surviving "winners". However, the quest to maintain 'business-as-usual' for future generations would necessitate the evolution of a form of corporate altruism hitherto virtually unknown. Short-term self-interest in the thrill of a vast gamble on the world's markets forms an unlikely precondition for development of a mature concern for the future of the wider community and its natural resource base.

This leaves the future in some degree of uncertainty. George's fascinating yet all-too-brief "Annexe" rehearses the main arguments for taking immediate individual and collective responsibility for reweaving "the social fabric that neo-liberalism is rending". Realistically, George advocates withdrawal of economic activities from the transnational orbit to local small business enterprises, but within a national and global framework capable of over-riding the

divisions of identity politics based on national, religious, political, gender, class, racial and other differences. At present, these divisions serve to perpetuate a system that is "a universal machine for ravaging the environment and for producing losers that no one has a clue what to do with", providing excellent fodder for the Four Horsemen. The message emerging from George's excellent work is that the true enemy lies in the myriad divisions created by identity politics. While energies are directed towards single, divisive issues, corporate power remains unrestrained.

The fact remains we are all policy makers. George concludes: "Left-leaning foundations have in my view shown stupidity bordering on the criminal in not defending - that is, putting money into - progressive ideas. The Working Party understands the importance of creating and using ideology." Time to abandon the luxury of apportioning blame, in favour of shouldering the burden of collective responsibility.

Frances Hutchinson lectures in economics at Bradford University. She is the author of *The Political Economy of Social Credit and Guild Socialism* and *What Everybody Really Wants to Know About Money*.

WEALTH – A CHRISTIAN VIEW

Presented to the Assembly of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland at Dundee on May 10th 1962

PART ONE: A CHRISTIAN ECONOMY

(Continued from March/April 2000 issue of *The Social Crediter* and reproduced with permission of Stuart Titles Limited)

We felt it necessary first of all to consider from a Christian standpoint in what direction it was desirable that a social-economic system should move. We have come to the conclusion that the following represents the main objectives.

1. The best possible use of available natural and technical resources for the satisfaction of human needs and the promotion of human well-being.

We regard this principle as fundamental to the whole enquiry. We consider that every human being has an inalienable right to the basic necessities of life - food, warmth and shelter. We are also convinced that the natural resources of the world, together with the technical skills accumulated over centuries, are now such as to make it possible for this to be achieved for all, without the necessity of reducing the present

standard of living of any person anywhere in the world. The object of production is consumption. There is no point in producing something that is not required by anyone; on the other hand, where a material human need exists, every effort should be made to satisfy it through the productive system.

WASTE AND WANT

It is clear however, that this objective

is far from being achieved at present. On the other hand there is widespread waste and misuse of the world's wealth. It is still apparently possible to talk of a "surplus crisis", as the following item from the *Guardian* of May 5, 1961, reveals "Paris, May 4. Agriculture Ministers from 18 countries today called for measures to meet a butter surplus crisis - including efforts by countries to cut their butter sales to Britain or agree not to increase them". In other words, orthodox economic logic can maintain that a "surplus" of real wealth, besides precipitating a crisis, can best be countered by reducing consumption!

Again, the proved oil resources of the Middle East, if consumed at the present rate, will last for another hundred years. Yet long before that time has elapsed oil will have been rendered useless by the development of atomic energy. The oil being retained in the ground in order to maintain the world price, instead of being extracted for the benefit of the countries where it lies and the world at large.

The Agricultural Trade Development and Assistance Act was enacted by the U.S. Government with the purpose of reducing the accumulation of the surplus commodities in the U.S. which the

U.S. Government has to buy under the price support legislation, and which costs the U.S. more than 2 billion dollars per annum for storage alone. Despite the operation of these disposal plans, the problem of surpluses is nowhere near solving itself. The Chairman of the Inter-Agency Committee on Agricultural Surplus Disposal, in a memorandum submitting a report on activities under this Act for the second half of 1958, wrote: "Successful as has been the operation of Public Law 480 (the Act in question) Commodity Credit Corporation holdings, with their resultant high costs and commensurate burden on the taxpayer, have since 1954 increased rather than diminished".

In Britain the great railway network bequeathed to us by the nineteenth century is being allowed to fall into disuse and decay, although the lines, the rolling stock and the skilled labour are available for its operation, and its use would relieve the congestion on the roads and the shocking loss of life that this causes.

The problem throughout is not so much to "establish priorities", to divert productive capacity from one purpose to another, as to make full and proper use of the resources that so far remain untouched. At present we cannot even guess at the potentialities of such use of "God's Providence".

On the other hand human needs are far from being satisfied everywhere, and it certainly cannot be maintained that human well-being is universally promoted. Over great areas of the world human beings are living well below the subsistence level, and for millions of others life is little more than a struggle for physical existence, with no time or energy left for the spiritual rewards that make life worth living.

Even in those countries, such as our own, where a comparatively high standard of living has been attained, there are still to be found many cases of hardship and suffering, particularly among old people. To look no further, much of the housing in cities like Glasgow and Edinburgh is well below

the standard that ought to be maintained. Children are still educated in old-fashioned, insanitary school buildings, their teachers overwhelmed with large classes. A significant proportion of the students who qualify for entry into the universities are unable to find places; according to a recent statement, places at Bristol University alone were "oversubscribed" 17 times.

HUMAN SUFFERING

But all these failures pale beside the appalling conditions that still remain throughout Asia and Africa, as well as many parts of Europe and South America; conditions that no Christian can observe unmoved. The facts have been fully documented in a wide range of international reports, as well as by the experiences of such men as Danilo Dolci, and it is unnecessary to repeat them here. Of far higher priority than any political problems that agitate the statesmen of today is the task of bringing the vast wealth of the world into the hands of those who need it.

2a. The release of human beings from the economic necessity of being employed in useless, wasteful or degrading tasks.

This objective goes deeper than is at first sight apparent, for if taken to its logical conclusion it challenges the whole attitude that takes its stand (mistakenly in our view) on the words of St. Paul: "This we commanded you, that if any would not work, neither should he eat." (II Thess. 3,10) It is often forgotten that these words were addressed in particular circumstances to a small, simple Christian community of very limited resources, striving to maintain themselves in the midst of a hostile world. Moreover, the key word is "would". St. Paul's meaning was that everyone should contribute his share to the common weal, insofar as it was needed, he was capable of giving it, and the opportunity was available - a principle with which there can be no quarrel.

Yet there has grown up the idea that any employment is better than none, and that the

QUOTE

In government the power of the Bank of England was a considerable restriction on political action as early as 1819 but an effort to break this power by a modification of the bank's charter in 1844 failed. In 1852, Gladstone, then chancellor of the Exchequer and later prime minister, declared, "The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of Finance, but was to leave the Money Power supreme and unquestioned."

Prof. Carroll Quigley,
A History of the World in our
Time, 1966, p 325.

primary object of an economic system is to provide employment. It cannot be emphasised too strongly that the primary objective of an economic system is that set out in Part 1 (1) above, and that while human employment is - generally - a necessary part of the process directed to this end, it must not take precedence over it. (emphasis added) From a Christian point of view it is wrong that a man should be employed on work that can be better done by a machine; it is wrong that he should be employed on work that fills no human need, material or spiritual; it is wrong that he should be employed on work that is degrading to himself and his fellow men. Yet all of these are characteristics of our present society, and all of them arise because men are forced to seek employment of some kind in order that they may satisfy their legitimate needs.

USELESS, WASTEFUL AND DEGRADING EMPLOYMENT

In a latter part of this report we shall have occasion to stress the change that has been taking place in our productive system over a period of many years - a change that is best symbolised by the term "automation". The natural trend of technology is towards the elimination of human labour from the task of production, though this has hitherto been disguised under the heading of "increased productivity".

But however we regard it, it is a trend greatly to be desired from a social and spiritual point of view; the process however is at present gravely retarded, though it cannot be arrested, by fear of the social consequences - that is to say, widespread unemployment and the poverty and distress that nowadays accompany it.

The same considerations apply to the employment of men and women on such tasks as the production of cheap and shoddy materials and articles, of useless and unwanted "gadgets" designed only to catch the eye, in the operation of football pools and bingo saloons, in advertising

directed to persuading the consumer to purchase articles that he does not want or need, and other examples too numerous to mention.

It would perhaps be difficult to draw a clear line between occupations that are obviously degrading and those that are merely useless or wasteful, but it is at least arguable that any form of employment that does not give a man a sense of useful achievement will in the long run prove degrading to him.

The monotonous repetition of a mechanical task, day in and day out, is "soul-destroying" in the most literal sense of the word. It might also be maintained that it is degrading when fear of loss of employment, that is of livelihood, forces a man to undertake tasks that he knows to be morally or socially wrong, or simply prevents him from acting in accordance with his conscience.

It has been argued that no one should receive "something for nothing"; but even if this could be justified in principle (and it was our Lord who told us to "consider the lilies of the field, how they grow, they toil not, neither do they spin". (Matt.6, 28), it can only be applied in the light of circumstances. National assistance, free education, family allowances, the National Health Service - all of these have been accepted because it is recognised that the community as a whole benefits when its individual members share as of right in its commonwealth; while pensions, unemployment benefit, and health insurance, even if they are regarded as being fully paid for out of personal savings (which they are not), nevertheless admit the principle that the community has a duty to ensure the support of those who are unable to earn their living through old age, ill health, or inability to find suitable employment.

We therefore conclude that society will be forced increasingly to distribute the means of livelihood among its members other than by way of paid employment.

2(b) Parallel with this, education in the use of leisure and the right attitude to work, so that

men may develop their God-given talents to the mutual benefit of themselves and the community as a whole.

The achievement of the objective set out in the preceding section will result in the wider distribution of leisure, and will bring with it many new problems. We do not feel that the Church should be alarmed at this. The use of leisure and the right attitude to work are indeed no new problems to those engaged in the spreading of God's truth, but in the past a major obstacle to their solution has been an economic one. Men who are exhausted by the struggle for existence are poor and stony ground for the seeds of spiritual enlightenment. We should not fear the release of men from toil any more than we fear their release from poverty. That this will place greater responsibility for right conduct on the shoulders of the individual himself is undeniable. But Christians who feel it is their duty to guide and help their neighbours will best fulfil it neither by indiscriminate charity nor by enforcement of rules of conduct, but by helping each man to make his own choice, and bear the responsibility of making the right one.

THE USE OF LEISURE

The problem of inculcating the right attitude to work is in fact the same as that of teaching the proper use of leisure. But it will only be solved when it is possible to regard work, not as an end in itself or as a means of livelihood, but as part of the achievement of a creative purpose.

It has been argued that in an "affluent" society there tends to be less interest in things of the spirit. Even if in practice this is sometimes true, it would be dangerous to reason therefrom that poverty is a good thing in itself. It might rather be said (and indeed has been said) that the Churches have so far failed to meet adequately the challenge to them to give people education and guidance in the right way to live in this world. Like all such charges, it is much exaggerated; nevertheless it is perhaps true that, in a social-economic system

where relative poverty and hardship had been the lot of most people, the Churches have found themselves the more readily stressing the transitoriness of the present world. If the Churches are to retain their authority over the minds of men whose material and economic problems have been solved or alleviated, they may have to give greater attention to the importance of the good Christian life in this world. This is not to be thought of solely in the terms in which it was offered to the affluent in the past - charitable works, sharing one's wealth, the care of the poor and indigent. The aim must be rather the development of the whole spiritual man - or, as the laymen might put it, "education for leisure".

We recognise that it may be expedient that progress towards the leisure society should be gradual, so that opportunity may be provided for education in and preparation for the wise use of leisure.

HUMAN DIGNITY

3. The elimination of insecurity and fear and consequent selfish materialistic values, so that the individual human being may be enabled to live with dignity and self-respect.

In spite of all the progress that has been achieved in material ways, there has probably never been a period in the history of mankind where there has been such widespread fear and insecurity - fear of war, fear of poverty, fear of unemployment, fear of nuclear destruction. It is scarcely surprising that the attitude of the ordinary man is one of "making hay while the sun shines". Hence the constant strikes for higher wages, the wave of speculation in shares and property, the urge to "get rich quick" even at the expense of one's neighbours, the gambling craze, the exploitation of the young by commercial interests with its concomitants of juvenile immorality and delinquency. Everyone recognises that these activities are a denial of human dignity and self-respect, yet few seem to recognise that the "spiritual" answer can only be effective

if it takes account of the economic motives behind them.

A SOCIALLY HEALTHY ECONOMY

4. The maintenance of a socially healthy economy with a suitably diversified balance between agriculture and industry, with waste eliminated and with the highest possible standard of living for all.

From a purely economic point of view it is possible to argue that countries should specialise in the types of production most suitable to them, and by exchange obtain elsewhere what they do not produce themselves. Apart however from the practical difficulties involved in the full realisation of such a system, the theory does not take account of the effect on the social life of the country concerned. Britain is indeed already heavily over-industrialised, with the result that its people must depend largely on imports of food, even though on health grounds home-grown food is recognised as best. National physique, living conditions, social life, and cultural and spiritual development, are all adversely affected by the predominance of urban life. Conversely, it is undesirable that "under-developed" countries should be relegated to the role of suppliers of raw materials, and indeed it is abundantly obvious that they will no longer accept this role. A complete and wholesome community is one in which all aspects of human existence and endeavour are represented and provided for.

INTERNATIONAL TRADE

5. The peaceful use of production, by exchange or otherwise, for the benefit of all people, particularly those in need of economic advancement, and for the elimination of want, provided that such trade does not lead to dangerous commercial competition and international conflict, nor to the placing of other countries under alien financial and political dominion.

The international economic system has not yet succeeded in solving adequately the problem of satisfying the needs of the people in underdeveloped countries. They are treated primarily as potential markets for the "surplus" production of the more developed countries, but the effect of this is (a) that they may be used as a dumping ground for goods that are needed in the country of origin but cannot be marketed there for financial reasons - that are not in fact truly surplus; (b) that, as in the case of the individual consumer (see Part 1 2(a) above), they may be forced to take goods that they do not require, or that may injure their own economies. When moreover a number of industrial countries compete for markets in this way, the clash of commercial interests may lead to political conflict, and even in some cases to war.

The financing of this method of supplying the needs of underdeveloped countries is carried out principally through loans, which may be provided by private financial concerns, by governments, or by international organisations such as the International Monetary Fund. In all such cases there is the danger that the objections referred to above may apply, namely, that the interests of the lending agency may prevail over those of the borrower.

This is how an official U.S. document (Technical Assistance: Final Report of the Committee on Foreign Relations, 12.3.1957) lays down the "concepts and objectives" of foreign aid:

"Technical Assistance is not something to be done, as a Government enterprise, for its own sake or for the sake of others. The U.S. Government is not a charitable institution, nor is it an appropriate outlet for the charitable spirit of the American people... Technical Assistance is only one of a number of instruments available to the U.S. to carry out its foreign policy and to promote its national interests abroad. Besides Technical Assistance, these tools of foreign policy include economic aid, military assistance, security treaties, overseas information programmes, participation in

the U. N. and other international organisations, the exchange of persons programmes, tariff and trade policies, surplus agricultural commodities, disposal policies and the traditional processes of diplomatic representation". (emphasis added)

THE BURDEN OF FOREIGN AID

Nor is the recipient likely in the long run to take a rosier view of the situation. A Pakistani critic writing Under the significant heading "The Burden of U.S. Aid" comments as follows:

"We see from the facts that the processes of foreign aid have corrupted our freedom and paralysed our political will. Some outward symbols of our independence survive and a formal ritual of dealings between independent governments is observed - within narrow limits, some independence does exist. But the reality of power has been shifted beyond the grasp of our people. A pattern of economic development has been imposed upon us which seeks to reduce our economy to the colonial pattern of an economy which is complementary to the economy of the metropolitan country. Policies are imposed upon us which discriminate against Pakistani enterprise, public or private, and which extend extraordinary privileges to foreign enterprise." (*Pakistan Today*, New series No.1, Autumn 1961)

The same might be thought to be less true of the international loan, but in fact the acceptance of direction of a country's economic and financial affairs by an outside body is in no way responsible to the democratic processes within that country. It is not only the smaller countries that may be subjected to outside pressure in this way. "It is necessary under the rules of the (International Monetary) Fund for a borrowing request to be accompanied by a governmental programme showing that the national difficulties which have caused the exchange problem are being dealt with resolutely and wisely. Information received by the Fund has led it to

believe that Mr. MacMillan has personally committed himself to a programme which will be adequate to the task." (*Guardian*, 29.7.61) "The connection between taking help from the I.M.F. and imposing a severe monetary and fiscal retrenchment policy at home must be clearly recognised." (*Guardian*, 18.9.61). The definition and interpretation of a "wise and resolute" policy is of course the prerogative of the Fund officials. In the case of Britain's recent application to the Fund **the assertion has been made, and has not been denied, that two of the conditions stipulated were the "wages pause" and Britain's entry into the Common Market.** Whatever may be said for or against these two measures, it can hardly be argued that it is in the interests of the British people that they should be enforced on them by an outside body without democratic consultation. (emphasis added)

And when all this has been said, it still remains doubtful whether the underdeveloped countries derive any practical benefit. It is a shocking fact, disclosed by a recent U. N. world economic survey, that all the loans made by governments and the World Bank to such countries have been more than offset by the fall in commodity prices in these lands due to the pressure of debt on their economies.

We have dealt at some length on this point since it faces us once again with the fundamental challenge - can Christians accept in principle the domination of the weak by the strong for their own ends? Can they indeed accept the domination of man by man anywhere? We have come to the conclusion that the requirements of a Christian social-economic system cannot be said to have been met until the distribution of wealth is treated on a world-wide basis, so that it is made available wherever it is needed without regard to national frontiers or national ownership.

(July/August issue will continue with Part Two - THE MONETARY SYSTEM)

QUOTE

A Detective Story - Just as 11 Downing Street caused some momentary euphoria among Third World debt campaigners, an article by Michael Hudson came my way. He argued that Third World folk will gain nothing from the debt relief announced by Gordon Brown. Surprised by this, I consulted wise man Geoffrey Gardiner for clarification. He replied "The debts to be written off under presently proposed official arrangements are credits from government bodies, are unrepayable and not serviced. Therefore writing them off is irrelevant. There will still remain loans outstanding from commercial banks which will absorb all the foreign exchange earnings of the debtor countries. Indeed the purpose of the IMF initiative is... to rescue the banks. The immediate benefit of the scheme is therefore negligible." Geoffrey added: "In my view a far better campaign than debt relief would be to rescue for the poor countries the funds their rulers and rogues have transferred to tax havens."

CCMJ January 2000 Newsletter
Extra

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Recommended Reading

The Social Crediter is the official journal of the Social Credit Secretariat. It promulgates the analysis and prescription for radical change to the current financial/economic system developed by C. H. Douglas in the 1920s. At the centre of our concern is the need for radical reform of the international fractional reserve, debt-money system. Only then might other major socio-economic changes, including the introduction of a National Dividend, follow and help to ensure that all of the world's people have the potential to enjoy economic sufficiency, while simultaneously living a full and satisfying life in harmony with each other and the natural environment. It is our conviction that whatever is **physically possible and socially desirable** CAN be made financial possible. This should be everyone's concern and radical reform is urgent, so that this potential might be realised.

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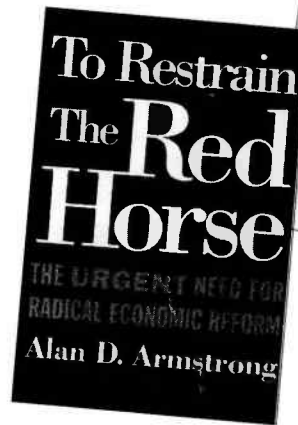
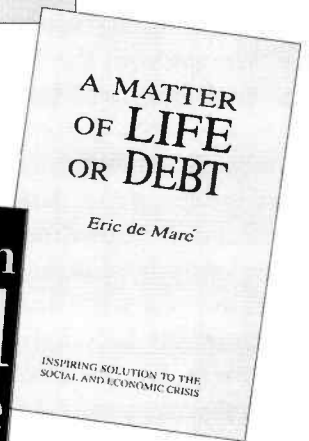
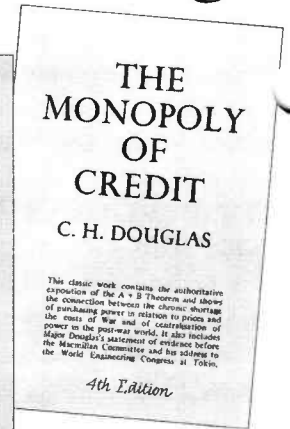
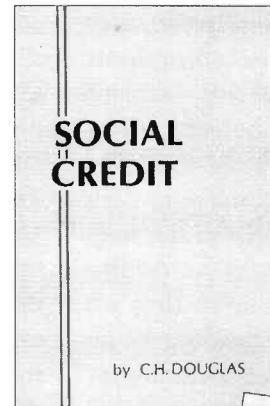
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