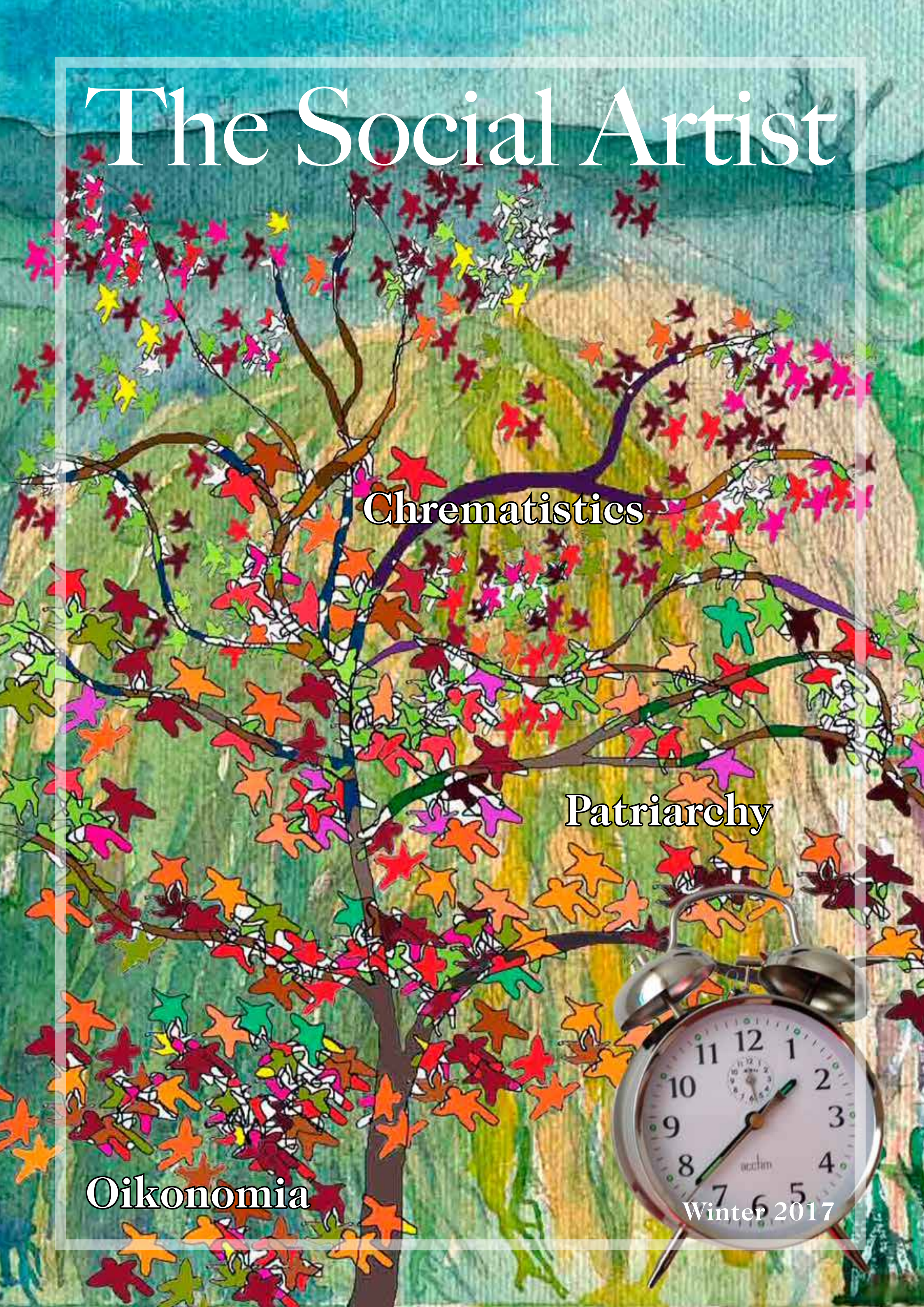
The Social Artist



Chrematistics

Patriarchy

Oikonomia

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Editorial

The patriarchal money economy depends for its very existence upon the love economies of the natural world and the human community. By the 21st century finance has come to dominate the planet, creating fantastic technologies, wars, poverty amidst plenty and ecological devastation. And yet the money economy forms only a very small part of the management of human and planetary affairs. The task at hand is to understand how and why it is that money dominates our everyday lives.

Academic economists assume that economic activity is organised within an orderly Circular Flow model. People leave their Households to sell their resources (labour, land, capital) to the Firm (business, corporation, statutory body). The Firm converts the resources into marketable products. The people take the money they receive (as wages, rents, dividends) in payment for their sacrifice of resources and spend the money on the goods and services so produced. This completes the circuit, creating an elegant equilibrium.

It is worth pausing to take a long, hard look at the above paragraph, because it does not actually make sense. Time is suspended, and money appears from nowhere - and disappears again. Nevertheless, the Circular Flow is the basis of all economic theorising. No matter how complex the financial devices and econometric calculations become, they are nothing more than figments of the analysts' imaginations: they have no basis in concrete reality. We are living in a dream world of statistics and figures, a world that has no basis in fact. The untenable assumptions which underpin neoclassical economic theory are:

1. Money is purely a useful device for facilitating exchange. It does not shape policy.
2. The resources individuals have available to sell – land, capital or only their labour time – is taken as given. Justice of allocation of rights over property is not a matter for economists to consider.
3. The financially successful Firm has the right to enshrine its rights in law. (Might is right).
4. The Household will consume the goods produced, advertised and

marketed by the Firm.

5. The Household will supply workers to the Firm.
6. Mother Nature will supply the material resources required and absorb the wastes produced by the financial economy.
7. The common cultural heritage of skills, knowledge, technological know-how and culture, developed and sustained by countless individuals over the generations, can be privatised and subverted to the service of the Firm.

In short, the money economy demands the service of all. At the same time, it determines policy. It determines what is produced, by whom it is produced, and who has a right to the products resulting from the processes. It determines value: what is valued in money terms is all that counts. Hence a tree has no value until it is cut down and sold for money. All that matters is the getting and spending of money. From birth to death we train our children to 'do well' in acquiring the skills demanded by the Firm. And we neglect those essential tasks of caring for the Household and learning to respect the living Planet.

During the Machine Age the focus has been on the production of material goods for market exchange. Items for sale have been designed to provoke desire – clothes, armaments, fast cars, the body beautiful, dream holidays, faster forms of travel, instant communications. The infant desires of Rational Economic Man have dominated policy and planning in a world driven by fear, desire, greed and the quest for power without responsibility. The task to hand is to recognise that the body, the land and the community are all embedded in the same processes of generation and regeneration that necessitate the work of both men *and women*.

Currently, production for profitable sale generates the money incomes necessary to sustain our Households. We go to work *for* the patriarchal financial system to earn the incomes necessary to buy the goods and services valued *by* the system. We can seek to allocate incomes through some form of Social Dividend, Citizen's Dividend or Basic Income, as is suggested by Oliver Heydorn in his article. Currently a host of experiments are being devised and monitored. Some seek a sufficiency of production, and justice in distribution. But all presuppose the necessity to continue producing material goods for market exchange.

The alternative is revolutionary – and it is already happening. The option, open to all Households, is to seek to *do without* many of those material goods designed, created, processed, packaged, promoted and delivered to us by a now outdated system,. The starting point is to use our time to develop those skills of thinking, feeling and practical know-how that will enable each and every Household to form a key part of materially and culturally viable communities. That does not mean doing without money, but turning money from master to useful tool. Fortunately, we already have to hand a myriad organisations seeking to break the spell of the money system. Leaders in the field are the New Road Map Foundation who have been operating over the past three decades. Such practical experiments must, however, go hand in hand with sound theory of the type marked out in the Social Credit literature.

The Dark Conclusion

Martin Parker

(From this discussion) capitalism emerges as an enormously powerful force that extends its tentacles to more and more of the globe, and more and more of our lives. It produces not only goods and services but also the sorts of subjects who will buy these goods (the desiring consumers), the sorts of subjects who will produce these goods and services (free labour), and the credit necessary for their purchase. Capitalism has become so powerful that it has colonised our imagination, leading to a monoculture where capitalism appears as the only realistic option, as if there were no alternatives. Indeed, following one of its deepest crises in 2008, many people seem to assume that we should be working our way back to business as usual. Shortly after being bailed out with public funds, banks resumed paying gigantic bonuses; and government leaders across Europe have been busy placing their economies under increased market discipline, squeezing public services and further liberalising labour markets. Yet there are many cracks. As illustrated in *The Routledge Companion to Alternative Organization* [edited by Martin Parker] capitalism is in many ways dysfunctional and produces many irrationalities; it makes some of us sicker, some of us poorer, and it relies on natural resources which, through its own plundering, are rapidly being eroded.

Moreover, capitalism relies on our own complicity; it relies on us getting into debt, buying things, working for a wage. But what happens when some of us stop behaving like *homo economicus*, when some us stop buying so much, or labouring for a wage, and if instead we start collectively re-appropriating various means of production, if we start producing for ourselves rather than for capitalist enterprises, if we start sharing or giving our labour, goods, services outside of the 'free market'? … many throughout history have expressed their discontent with capitalism, and have forged relations of production and exchange that do not follow the logic of capital accumulation. It is by looking at the cracks and gaps within capitalism that we begin to see that alternatives already exist, and that many of the resources and ideas we need are already available to us.

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Money Explored and Explained

Adapted from *The Politics of Money*, Hutchinson *et al* (2002)

Money and the processes of its creation lie at the root of much of society's troubles. Orthodox economists tend to dismiss money as "neutral", attributing importance only to the "real" material factors of production. Yet of the total international transactions of a trillion or so dollars each day, 95% are purely financial. Globalization is not about trade. It is about money. Global trade as a percentage of national output is very little different to what it was at the end of the nineteenth century – around 40% (1999). Investors no longer put their money into factories or merchant ships but, instead, into a plethora of overlapping 'financial products' such as futures, derivatives, hedge funds or currency speculation.

There is a theoretical assumption that economic activity is organized within an orderly Circular Flow. People sell their resources (labour, land, capital) so that tangible goods and services can be produced. In exchange they receive money. That money they take to the market place and buy the goods and services they require. This completes the circle. The assumption is that, left to itself, the circle will meet all economic needs. No one will produce more than can be sold, no one will be left without. If everything is not in order, the money and interest rates may need to be adjusted so that the quantity of money does not exceed the quantity of goods available for exchange. Next, economists distinguish between wants backed by money (effective demand) and needs that may exist but do not register as economic 'facts'. Economists also tend to assume that money prices have a natural equilibrium, *e.g.*, an equilibrium exchange rate, as does the interest rate.

Capitalism as natural system

Central to the definition of orthodox economics as a science is the assumption that capitalism is the natural system for managing world affairs. Its essence is the money/market system. There is no alternative, because the 'free' market is the only route to political freedom. Within the classical theory which underpins conservative macro-analysis of the self-sustaining economy, money is purely a measuring device having no influence on economic outcomes. Commodities exchange for commodities, while money merely facilitates the exchange.

There are two key assumptions within this view: first that money is neutral and without history – it appears from nowhere and simply exists as a technical resource; second, a circular model of the economy. People are seen as utility-maximizers in all aspects of their life. Politics is taken out and replaced by economics. The irony is that economics itself is what Hazel Henderson has aptly termed 'politics in disguise'. The non-existence of time is directly related to the non-existence of capital within the Circular Flow model. Thus the study of economics postulates three physical factors of production: land, labour and capital. The owners of each factor receive a money reward (rent, wages or interest) for the 'disutility' (unpleasing task) of allowing the factor to be consumed in the production process.

Once the Circular Flow is established, the productive forces of land and labour are said to sell in exchange for consumption goods. Whether the goods produced are 'producers' goods' (factories, ships, machines, tools for later production) or 'consumers goods' (for immediate sale and consumption) is immaterial. In each period the real services of labour and land are exchanged for consumption goods produced in the previous period. Each good sees two periods, the one in which it is produced, and the one in which it is consumed. 'Capital' cannot be stored up because there are no gaps in the continuity between the process of production and the process of consumption. Counting abstinence as a legitimate cost would involve counting the same item twice. Shockingly, the neo-classical circular model holds in thrall even many of the great rebels. Keynes's final rebuttal of the self-balancing model, at least in public, still adhered to its basic paradigm.

Capitalist power stems from the financially based institutional constructs of legally enforced contract and sale. The neo-classical simultaneous methodological view is that the profit rate is everywhere actually equal, technology does not change, and the market always clears during each act of circulation, and money is a pure *numéraire* (useful device for measuring value). In this analysis real money and real time do not exist.

The model of orthodox economics fuses and confuses wealth production with money making. Within a capitalist economy production would not occur if there was not a product. The starting point for establishing an alternative framework must be to question the construction. Separating production from wealth creation follows an old tradition that can be traced back to Aristotle. He defined *chrematistics* as the branch of political economy relating to the manipulation of property and wealth to maximize the short-term monetary exchange value to the owner. By contrast *oikonomia* is the management of the Household to increase its use to its members over the long run. Mainstream neo-classical economics has not only fused *chrematistics* and *oikonomia*, it has concentrated on the former to the exclusion of the latter.

The fossilization of economic thought renders economists increasingly incapable of offering coherent explanations of economic phenomena. It would appear that the aim of neo-liberal economic theory is to dominate all other theories, just as the aim of market capitalism has been to eclipse all value systems beyond those of the money economy.

Why the Spartans Outlawed Money

Evidence of the use of money dates back to 3000 BC, and the earliest forms of writing were statements of accounts. There is evidence that communal grain stores were used as a banking resource in ancient Egypt with what were effectively cheques exchanged between depositors. ***However, until modern times the use of money to settle everyday social obligations was virtually unknown***. Money was used in exceptional circumstances, in times of famine, hard times generally, for travel and warfare. ***What is new is a society driven by money, banking and credit.*** The role of money in acquiring the means of sustenance is the critical feature of modernity.

Concern about usury in the Old Testament also shows that the idea of lending money for interest is very old and religious laws against that practice were carried into both Christianity and Islam. Usury is still against Islamic law. Indeed, it is the very taking of interest ("riba") rather than just "usury" that is proscribed in the Koran. The Lydians of Greek Asia Minor are credited with the invention of money as coin. In the seventh century BC they were striking coins from electrum, a gold-silver alloy occurring naturally near their capital Sardis. Their King Croesus became a symbol of the accumulation of riches. The distrust of money led to its being outlawed in Sparta. Aristotle records the marginal status of bankers in Athens.

Since money is a purely social construct it is of concern that trust in money displaces other values like a cuckoo in the nest. This is the victory of money that Margaret Thatcher infamously celebrated when she said there was no such thing as society, only individuals and their families.

What money does is enable things to happen. Money is not a neutral instrument within trade. It creates the very potential of trade. Control of, or access to the creation of money is vital to social and political power. When money has no intrinsic value it is possible to manage the quantity of money, paving the way for management of currency and credit as a means of managing the economic process.

Recognition of this destroys the concept of the equilibrating Circular Flow. Once a commodity like silver and gold is used as money in coinage, its value changes. And once such a commodity like silver is used almost exclusively as money, it can easily be replaced by one that has no commodity value at all, like paper. Money values are socially determined. Nevertheless, economists have asserted that money is value-neutral, giving rise to the extreme inequality of modern times. It is taken for granted that there is no economic basis to question what 'the economy' is doing, whether making weapons, trafficking in women, enslaving children, using environmentally destructive productive methods, or trading in drugs. The will of the people can only be expressed through the cash register, which is the final arbiter of value.

Before Adam Smith it was assumed that bankers were intermediary lenders of other peoples' money. However, economic outcomes are affected when such sums are lent out again and again before the first borrower has been repaid. It would be logically possible for a cloakroom attendant at a restaurant to hire out the coats of diners while they were eating. But it would be impossible for two people – the owner and the hirer – to wear the same coat at the same time. However, that is exactly what happens when a banker makes a new loan. It changes the quantity of money in existence. While I cannot ride a claim to a horse, I can, under certain conditions, do exactly the same with claims to money as with money itself. In short, the institutions of banking and finance create the money supply through a range of mechanisms ultimately endorsed *in law* by statutory authority.

Real goods and services are created by labour's use of the natural resources of the planet. Money, the defining element within the formal economy, is created by financial institutions. When a bank issues a loan, it needs reserves of some kind to guard against the whole value of its outstanding commitments being presented at the same time. These fractional reserves may take the form of cash and coins held by the commercial bank, together with the bank's deposits with the Central Bank. In theory the government/statutory authority, through the Central Bank, can regulate the money supply by manipulating reserves and reserve requirements. Since banks and financial institutions require to stay in business, they constantly change the statutory framework to take account of changing practice. With the development of off-shore financial havens (not tax havens), the legal loopholes are increasingly difficult to police, while international finance has become a law unto itself.

Although the banking system as a whole *creates 97% of new money as loans*, it was, until very recently, assumed that the money creation process was regulated by a central banking authority through its ability to regulate the issue of notes and coins. However, the money created by banks is not the same as notes and coins, which have a tangible existence. We could call the former 'bookkeeping money' and the latter 'pocket money.' Pocket money, when used by ordinary people for their everyday transactions is normally regarded as real, tangible money, 'as good as gold.' Bookkeeping money ***has no existence outside a bank or financial institution***. To use bookkeeping money one needs a bank account. Bookkeeping money determines the quantity of cash in the economy.

The credit card takes over

Since the 1980s in the US and the UK money has been increasingly issued into the economy through credit card borrowing, giving rise to 'credit card capitalism.' Credit cards were originally issued as company currency. The first Diner's Club of 1949 was issued by oil companies to create brand loyalty and a symbol of creditworthiness. VISA issued by the Bank of America in 1958 became a network of 20,000 banks, and the largest mutual company in the world of up to 600 million card-holders. The important change with the widespread use of credit cards is that the responsibility for the issuing of debt money into the economy and thereby ensuring its vitality now rests with consumers. A form of economic democracy? That ignores the role of advertising and the problems of those burdened with consumer debts. Credit cards also make a mockery of the idea of control of money issue in an economy where nearly every store now has its own credit card. The non-bank financial markets have their own deposit banks, money-market funds, that can be lent repeatedly (multiplied) without limit.

Enclosure of private property

The importance of the enclosure of land as private property is that many of the resources communities held would have been in the form of common land. Common resources are those which have no deeds of ownership but are regularly used for farming or harnessing subsistence. Under these conditions most people would have gathered, hunted, gardened and herded, growing and preparing their own food. The emergence of capitalist market society together with industrial patterns of resource use including agribusiness has broken down the direct relationship between people and the source of their subsistence. Self-provisioning has been replaced by waged labour contractually engaged through a network of society-embracing markets. It was this compulsion into waged labour, ironically described as 'free,' made capitalism a unique form of exploitation.

Capitalism is the enclosure not only of land but also of tools and knowledge for the purpose of private financial gain. As Thorstein Veblen has argued, all invention is based on the common cultural inheritance built up over countless generations. Although the fencing of land is commonly portrayed as a means of introducing more 'efficient' farming methods, it entailed far more than mere fencing. Loss of subsistence access through enclosure, exclusion or patenting leads to a loss of social inheritance and knowledge. Intellectual property has now become an important aspect of world trade. The patenting of seed in particular is causing a loss of species as well as denying poorer people access to their traditional plants. Often this is because the seed has been hybridized and patented. What this might mean in the longer run is that hardy species developed over millennia to resist salination, drought or low temperatures, or forage animals that can live in difficult terrain, will be lost forever.

The process of absorbing the commons into the market system continues apace today. Forest people in particular are struggling for the retention of the commons of tropical rain forests from Sarawak to the Amazon. Across the globe indigenous peoples are launching anti-globalization campaigns. As states guarantee the rights of the international, global capitalist elite class to plunder the social and ecological commons, they place the short-term profit of powerful individuals and corporations before the common good. In the eyes of many people organizations like the World Bank, IMF and WTO are just that, agents of property regimes that seek to transfer all resources into capitalist corporate regimes.

To live people must do paid work or find a source of money income. The entire edifice of economic theorizing has been built upon the false premise that things exchange for things and not for money. In practice, money, not commodities, is the focus of the market economy. Only if money is eliminated is it possible to regard 'capital' as the commodities or 'things' comprising a necessary element in the productive process. Hence the common misapprehension that ownership of the physical rather than the financial means of production is the key issue in the control and production of wealth. It is also possible to be drawn into the debate on booms, slumps, inflation, stagflation, unemployment and the general tendency for a falling rate of profit without challenging the conceptualization of a formal economy which is assumed to be providing for universal welfare through the production of things. To date, the study of economics has not been situated in real time and is unrelated to the operations of the real world.

Seeking an end to exponential growth

Not only have money prices and money profits replaced the prime role of commodities in the economy, but the rate of growth of the profit already obtained by public corporations in a single year, is by grace of an alleged knowledge extrapolated into the remote future and then discounted for present value and incorporated into present price. The knowledge of such items is supposedly available from equilibrium points located with "derivatives." The result: market prices of successfully promoted stocks strive towards the exponential curve which is the mathematics of the atom bomb.

Capitalism relies on two basic mechanisms of cultural conditioning. First, the conditioning of 'chronic dissatisfaction' associated with emulative consumption (consumerism) – the 'spiritual' poverty of labouring for a money wage, whilst going into debt to acquire and consume more objects offering the illusion of leisure and status. Veblen enriched the language and sociology with the term 'conspicuous consumption' that increasingly drives our world. Second, patriotism and military discipline to maintain its aggressive imperialist expansion. He might well have been writing not in 1899, but the day before yesterday.

As early as 1906 Veblen suggested that landless wage/salaried workers and small peasant farmers should have common cause in resisting finance capitalism. However, Veblen was a voice in the wilderness. Bourgeois socialist intellectuals classed the small farmer as 'bourgeois', whilst ignoring the systemic exploitation of women's unpaid labour in Household and community.

Following Veblen's work closely, Clifford Hugh Douglas suggested the payment of a Social Dividend as an unconditional right to all. The concept is justified by the heritage of all inherited from the untold generations who contributed in various ways to make possible the institutions, science, technology and social cohesion that made production possible in our day – slaves, martyrs, inventors, civic leaders, jurists. That Social Dividend would help make it possible to carry on production without being at the mercy of finance capital. Producers' banks, modelled on Guild Socialist teachings and *Bank of Dave* type experiments could make its contribution to this end.

Presently, patriarchal financial institutions dominate policy formation. In the political sphere, they determine rights over property and resources in such ways that the majority are forced to beg for paid work to obtain the money currently necessary to keep body and soul together. In the economic sphere they determine whether and how people can cooperate for the common good. And in the cultural sphere they determine how we understand the institutions of governing the way we live. What we can do, how we do it and what the alternatives might be have for far too long been allowed to be determined by a financial system that is based on pure faith, belief, credibility – and deceit. Which is worth thinking about when we next ponder on where the money is to come from as we go about our daily tasks.

Connecting With the Earth

Stephan Harding

Connecting with the Earth, consuming less and developing a sense of community can also give the will and energy to work for change at the societal level. In this domain perhaps the most important thing to do is to agitate for an economy that is in a steady state rather than working blindly for one which seeks to grow by extracting more and more of the Earth's finite resources from her ancient crumpled surface. Those of us touched by the animate Earth feel the urge to work towards creating an economy in which the things that grow are the development and deployment of renewable technologies, the restoration of degraded ecosystems, the recreation of vibrant local communities and economies, and the adoption of ecologically diversified farming practices. Policies inspired by this kind of 'intelligent growth' would also stimulate those non-material things that can grow without limit – spirituality, creativity, depth of community and simple living. These are, after all, the sources of our deepest satisfactions and of our sense of well-being.

We can think carefully before we buy anything new. Could we buy it second hand or even do without it? We can become involved in strengthening our local communities, and find satisfaction in talking, telling stories and making music together rather than working so mindlessly hard to buy the mostly useless consumer products promoted by the mass media for filling the gaps in our lonely lives. All of this doesn't seem like much, but if enough of us consume less in these ways we will make a huge difference, thereby removing the need for several new power stations in the UK.

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Security: Institutional and Personal

Clifford Hugh Douglas

Through the employment system we are having a policy *imposed* on us, and that policy is the cause of our troubles. It is the gospel of work. 'If a man [woman] does not work neither shall he [she] eat.'

I must emphasise the point that the policy is not 'If a man does not work there will be nothing to eat.' to the extent that such a statement is true, the other statement is reasonable. But to say that all men and women have to work in industry at trade union rates for trade union hours before it is possible for all men to eat, is flagrantly untrue, and becomes less true every day, *except as a policy.*

It is not the primary object of existence to find employment. I have no intention of being dogmatic as to what is the prime object of existence, but I am entirely confident that it is not comprised in the endless pursuit of turning this very beautiful world into slag-heaps, blast furnaces, guns and battleships. It is just at this point that the extreme simplicity of the dilemma in which the world finds itself becomes evident, and it is at this point that it is so difficult for most of us to grasp what is equally simple, which is that the mere fact that some of us may earn our living by building a battleship does not in itself mean that it would not be possible for us to live much better, more comfortably and more safely if that battleship were not built.

Do not misunderstand me. This is not an address on pacifism. On the contrary, I think the determined opposition of the oligarchy which rules us to any effective financial reform has made war nearly inevitable and rearmament imperative. What I am endeavouring to explain is that the fact that you were paid wages for designing and building a battleship, and that with those wages, salaries (or, if you are shareholders in the companies that build them, the dividends), you buy yourself the amenities of life, does not mean that it is written in the law of nature that you cannot get those amenities unless you build a battleship. If, in addition to having your energies diverted to building a tool of destruction instead of a tool of construction, you are going to be taxed to pay for it and for the money the banks created out of paper and ink to pay your wages, you will be a triple loser.

Extract from address in City Hall, Newcastle-upon-Tyne, 9 March 1937 (KRP pamphlet 1945).

EDITOR'S NOTE: So wrote Clifford Hugh Douglas 80 years ago. This year the biggest arms marketing fair ever was held in London. See www.douglassocialcredit.com for further articles by C H Douglas.

A garden is the best alternative therapy.

Germaine Greer

National Dividend vs Basic Income: Similarities and Differences

M. Oliver Heydorn

At the height of the Great Depression, the founder of the Social Credit movement, Major Clifford Hugh Douglas (1879-1952), described the proposal for a National Dividend in the following terms:
We believe that the most pressing needs of the moment could be met by means of what we call a National Dividend. This would be provided by the creation of new money – by exactly the same methods as are now used by the banking system to create new money – and its distribution as purchasing power to the whole population. Let me emphasise the fact that this is not collection-by-taxation, because in my opinion the reduction of taxation, the very rapid and drastic reduction of taxation, is vitally important. The distribution by way of dividends of a certain percentage of purchasing power, sufficient at any rate to attain a certain standard of self-respect, of health and of decency, is the first desideratum of the situation.
The basic idea behind the National Dividend was this: just as a private company may distribute its profit to its shareholders in the form of dividends, so too can a nation monetize its macro-economic profit and distribute the usufruct to its citizens. The issuance of such a dividend would transform the whole of society into a gigantic, profit-sharing co-operative.
The focus of this post revolves around the following questions: Is the National Dividend, as proposed by Douglas, just another version of a 'Basic Income Guarantee'? [BIG] Why or why not?
The BIG has been defined as "a government ensured guarantee that no citizen's income will fall below the level necessary to meet their basic needs for any reason."
Like the Basic Income Guarantee, the dividend is universally inclusive. It covers each citizen by being distributed to each citizen.
Like the Basic Income Guarantee, the dividend has no work requirement or means test. It is issued unconditionally.
However, and this is the key difference as far as the definition of the BIG is concerned, the dividend is not guaranteed, either to sustain the income of citizens at the level that is required to meet their basic needs, or even to sustain their income at some minimum level that is fixed by government decree.
Since one of the three conditions that are independently necessary and jointly sufficient for correctly defining the concept of a Basic Income Guarantee is not met, it should be clear that the Social

Credit proposal of a National Dividend does not qualify, strictly speaking, as a genuine instance or example of the BIG. Even so, it is expected that, under normal conditions, the National Dividend would meet all of the objectives of a BIG and would do so in a better and more sustainable manner. It is for this reason that the National Dividend is worthy of the attention of BIG advocates.

In order to understand why the National Dividend is not a guaranteed income, one must first comprehend the very particular financial and economic context within which the proposal for a National Dividend was first developed. In other words, a proper understanding of the National Dividend requires a proper understanding of Social Credit.

Unlike many, or indeed most, basic income guarantee proposals, the National Dividend is inextricably linked to a programme of monetary reform and that programme serves an economic policy that would rehabilitate the entire economic and social orders.

Social Credit claims that the fundamental problem with the modern, industrialized economy is the fact that the rate at which prices are built up in the course of production is greater than the rate at which incomes are distributed to consumers. In other words, Say's law does not hold. Our economies are plagued by a chronic deficiency of consumer buying power.

There are many factors behind this macro-economic price-income gap, such as profit-making (including profits derived from interest payments on bank loans), net savings, the re-investment of savings, deflationary bank policies, and taxation, but the principal cause has to do with the ways in which real capital (i.e., machines and equipment) is financed and the ways in which its costs are then accounted for under the existing banking and cost accountancy conventions. Whenever real capital is manufactured or replaced, the costs that are built up on account of capex charges (i.e., the repayment of capital loans to banks) and opex charges (i.e., charges for depreciation, obsolescence, maintenance, etc.) exceed the incomes that are simultaneously being distributed to consumers.

Naturally, this gap must be filled in one way or another if the economy's circular flow is to attain some kind of equilibrium. The failure to achieve such a balance will result in bankruptcies, forced sales, economic stagnation, or even contraction. According to Social Credit theory, the present economic and financial systems attempt to fill the gap by relying on continual increases in public, business, and consumer debts. Additional money must be borrowed into existence from the banks (which create the bulk of the money supply ex nihilo) in order to increase the volume of consumer purchasing power. This leads to the build-up of an ever-increasing mountain of societal debt that, in the aggregate, can never be paid off. In the United States, for example, the total debt outstanding is estimated at 59.3 trillion dollars, while the GDP is only 17.4 trillion and the money supply (M2) is 11.8 trillion. The excess of debt over money is a partial record over time of the recurring gap between prices and incomes.

Government production on things that the consumer does not buy or won't pay for in the same period of time, or business production on capital goods or goods for export can help to increase the rate of flow of consumer incomes without simultaneously increasing the rate of flow of final or consumer prices. Loans to consumers involving the creation of new debt-money from the banks increase consumer purchasing power in an even more direct manner.

Instead of filling the gap with additional debt-money, Douglas proposed that the gap be filled with 'debt-free' money and that it be distributed directly or indirectly to the citizens. The indirect payment is known as the compensated price or the National Discount in Social Credit literature, while the direct payment is the National Dividend.

Allow me to stress that unlike many, if not most, basic income proposals, the dividend is not funded via redistributive taxation or by an increase in public debts, but rather by the creation of new money entirely free of debt - or of any other costs. From a Social Credit point of view, if the main defect with the economy is that there is a chronic lack of liquidity in the form of consumer incomes, redistribution is not going to solve the problem. You do not make an insufficient flow of income larger by redistributing it. What is needed is an increase in the flow of consumer incomes.

As a matter of fact, the dividend allows us to kill two birds with one stone. The particular phenomenon, which, on a physical plane, is responsible for technological unemployment, i.e., the displacement of labour by machines, is the same phenomenon which, on a financial plane, generates an ever-increasing gap between the rate of flow of consumer prices and the rate of flow of incomes that are distributed in the course of their production. The dividend solves both problems. On the one hand, it allows us to fill the price-income gap in a way that restores a real or self-liquidating equilibrium to the circular flow. On the other hand, the dividend also ensures that all of those individuals whose labour is no longer required in the formal economy will nevertheless receive an income enabling them to have access to goods and services.

Thus, unlike the Basic Income Guarantee or the vast majority of basic income proposals, the dividend is not tied to 'full employment' as a fixed policy.

If an economy is physically capable of providing everyone with all of the goods and services that they need to survive and flourish without calling on the full capacity of the available labour force, then the amount of the dividend need not be artificially restricted so as to maintain the positive incentive to work. The fewer the labour hours that are physically necessary to provide for our genuine needs, the better off we will all be because we could then enjoy the decrease in the need to work in the form of increased leisure.

But why isn't the National Dividend a guaranteed income?

Since the basic structural purpose of the dividend is to help fill the recurring price-income gap, the volume of the dividend is directly tied to the size of that gap. Large gap, large dividend. Small gap, small dividend. No gap, no dividend.

In a very primitive industrial economy, the dividend that would be necessary to help bridge the gap would be correspondingly small in terms of its buying power and would not be sufficient to meet the basic needs of citizens.

In an economy that was experiencing rapid industrialization, it is even possible that the dividend could be non-existent. If the additional incomes that were being distributed on account of ever-increasing capital production temporarily filled or even exceeded the underlying gap between consumer prices and consumer incomes, there would be no gap to bridge until the feverish level of capital production had been cut back and hence no need for the creation and issuance of 'debt-free', compensatory credit.

Now, all of that being said, it is nevertheless anticipated that, in the case of a mature, highly industrialized economy, the dividend would be sufficient on an on-going basis to meet the basic needs of every citizen. Despite being 'cabined, cribbed, and confined' by current financial policy, our true or physical productive capacity is enormous. Indeed, the purchasing power of the dividend should be continually increasing as more efficient methods of production involving the progressive replacement of labour by machines are introduced. Even in this scenario, however, the amount of the dividend could not be guaranteed in any absolute sense.

If, God forbid, a highly industrialized economy were to suffer from some kind of natural or man-made catastrophe, and much production were destroyed, the gap between total consumer prices and distributed incomes could be reduced or even eliminated. If such an unlikely event were to occur, the dividend would have to be correspondingly decreased or suspended in order to maintain a balance between the rate of flow of consumer prices and the rate of flow of consumer incomes.

It is my conviction and the conviction of Social Crediters that the National Dividend would provide basic income supporters with the result that they most desire, i.e., the abolition of poverty for all practical intents and purposes, and would achieve this without penalising anyone or increasing public indebtedness. At one and the same time, the dividend would contribute to a number of knock-on benefits that are associated more generally with the Social Credit monetary reform. Such benefits would include the elimination of the following phenomena: the recurring cycle of boom and bust, inflation, the build-up of unrepayable debts, forced economic growth, economic inefficiency, waste, and sabotage, the centralization of wealth and power in fewer and fewer hands, social conflict, environmental degradation, aggressive trade policies leading to military war between nations, and oppressive levels of taxation alongside increasing government interference in the economy.

Dr. Heydorn has taught philosophy to undergraduates at three different institutions in three different countries. His articles have appeared in both scholarly and more popular media. He currently resides in Canada. We reprint this article with kind permission.

I like to see flowers growing, but when they are gathered, they cease to please. I look on them as things rootless and perishable; their likeness to life makes me sad. I never offer flowers to those I love; I never wish to receive them from hands dear to me.

Charlotte Bronte – Villette

How Cuanduine went in search of a job

Eimar O'Duffy

'AND now,' said Cuanduine as they went on their way, 'as I have no money, I must even hire me out to earn some.'

'No good' said the others gloomily. 'There are no jobs going these days.'

'So long as there are wants unsatisfied,' replied Cuanduine, 'There must be work to do.' For Mac ui Rudai's tale seemed to him incredible, and he believed that it was on account of his stupidity that work had been denied him. Having observed for himself on his travels that the world was full of people who were hungry and ill clad, he thought he would have no difficulty in getting something useful to do; but having inquired diligently at farm houses, at flour mills, at dairies, at sheep farms, at woollen mills, at clothing factories, at mine heads, at steel works, at brick works, at builders' yards, and a score of other places, including even shops, he learned that there was no demand for his services anywhere - so terrible was the plague of plenty that had fallen upon the earth.

At last, however, he came to a factory where, to his great joy, he saw numbers of men being enrolled for work; and, joining the queue, he presently signed on. It was a factory for making blim-blams, that is, enamelled frogs for wearing in ladies' hair, flim-flams being no longer in vogue. There he worked for a few weeks, drawing good wages; but after that the factory closed down, as blim-blams had gone out of fashion in favour of wim-wams, that is, imitation butterflies made out of stained fish-scales for glueing on the cheeks.

So Cuanduine gave up job-hunting and fell into a despond. But Mr Robinson wrote an article on How to Cure Unemployment, in which he argued very skilfully that women should wear wim-wams not only on their faces, but all over their bodies, whereby employment would be given to thousands of workers displaced from the food, clothing, and building trades. For this he received a handsome cheque, on which they all subsisted for some time. Cuanduine also earned a little money in unexpected fashion by submitting himself to be photographed as an advertisement for the body-building power of Pinkerton's Patent Pellets. In accordance with their policy of Truth in Advertising, they gave him a pellet to eat before they snapped him.

Extract from Eimar O'Duffy's *Asses in Clover*, p85-6. The whole book, with Commentary, is available on www.douglassocialcredit.com, See Social Art page.

The Future Is the Farmer

Julian Rose

At a farmer's fair in Krakow, South Poland, in early May, I spoke to a Romanian peasant. He was demonstrating clay pot making using a foot treadle to spin the plate upon which the pots were being formed by his deft hands.

I remarked how attractive I found this technology due to its lack of reliance upon any electrical power source. He nodded, saying "No other power required." The conversation swung to the need to remain independent; independent of state and industry controlled sources of power. Because being dependent upon centralised power, be it energetic or political, means always owing something to someone or something; whereas to be free of such a burden enables one to form strategic relations where one pleases. This form of sharing creates a natural form of interdependence with fellow humans, rather than dependence on governments and corporations. He nodded again.

A colourful troupe of Gorale (Polish mountain farmers) were stamping their feet to the rousing notes of a merry fiddle while weaving a circular pattern through and amongst each other, shouting out in occasional bravura. My Romanian friend was looking on, his non-treadle foot tapping out the folk song's rhythms. After a little he turned towards me and said "The farmer is the future."

Now this struck me as a very profound statement. Many may well cynically laugh at such an idea. In those peoples' minds is the notion that food will always magically appear from … well … somewhere – and that farmers, that is 'real farmers' like the Romanian and Polish peasants, are an anachronism, a romantic back-drop, a picture postcard of a time gone by.

The majority of people in Westernised societies have long since abandoned any attempt to source their foods from anything other than the most convenient and/or cheapest supermarket stores that carefully screen-out any correlation

Obituary

We mourn the sudden death of Gerald Partridge, beloved husband of our treasurer Bryony, and himself a member of the Social Credit Secretariat, held in great affection and respect by us all.

He was a gentle man, a compassionate family doctor with a particular interest in cardiology in which field he did much pioneering work, introducing echocardiography into the GP surgery. He was a man of many interests and he brought his well-tuned mind to all of our discussions on Social Credit issues.

We shall miss him and offer our sincere condolences, love and prayers to Bryony and all Gerald's family.

between the end product and the grower. That, after all, might shock the buyer into realising that there still are some human hands involved in the process whereby they acquire their daily meals. It's much more comforting for them to imagine that their beloved supermarket somehow spirits their daily needs out of some super hygienic, sanitized, forever sunny, manicured Astroturf garden.

The Eastern European peasant family farmer does not know much about what goes on in the corporate run, European Union subsidised, monocultural deserts that churn out an almost endless supply of nitrate induced, vitamin depleted and pesticide protected – so called 'foods'. He will not know what the majority of Westernised consumers dump into their trolleys on the way to the check-out desk, car boot and home freezer chest.

This farmer does know, however, that a very strange thing has happened to people over the past few decades. Something that seems to have taken them away from values which, to the good farmer, are pretty much sacrosanct. Values like never wasting valuable resources and living from the fruits of one's labours. About independence and love of a way of life in the open fields, open air, one that somehow keeps one always close to God. All be it that this life pits man against hardships mostly unimaginable to the upwardly aspiring, higher-waged supermarket shopper. A shopper fretting that she must negotiate the precinct without her recently manicured hair suffering any distortion from the unexpected shower of rain that has afflicted the roofless car park. Ironically, that shower of rain, a few drops of which might land on her precious head of hair, is about as close to nature as this lady is ever likely to get … in her cosseted perpetual suburban sunrise.

What the peasant farmer knows – and the consumer doesn't – is that this shower of rain is actually a vital element in the nurturing process in which he/she is engaged; growing the foods that will feed the family, and if all goes well, providing a small income from the sale of any surplus.

What this farmer also knows is that, at any time, the crops and animals under his care might be taken by drought, flood or disease. Might be threatened by wild animals, thieving individuals or interfering officialdom. This farmer lives day in day out with a perpetual level of uncertainty, which becomes so ingrained that it ceases to cause the sort of fear-fuelled anxieties that haunt the urbanite. Instead, it becomes an integral part of the way of life.

There is wisdom in this insecurity, because life is uncertain and unpredictable, and trusting to a degree of fate is part and parcel of our natural response to challenges that spring-up without due warning.

The foundations of the supermarket society upon which our regular shopper's aspirations depend – is predicated upon a continuous and uninterrupted increase in the acquisition of wealth. It soon becomes apparent however, that the material source of this wealth is not infinite, but finite; and that callously extracting these finite materials as though they were infinite does much damage to the fabric of the planet and brings much pollution to its vital arteries. So much so in fact, that by the beginning of the twenty first century, alarm bells have been ringing on an almost daily basis, warning of an unprecedented crisis lurking just around the corner –

unless substantial remedial action is taken. Yet no one seems to know what form this substantial remedial action should take; because no one who participates in this consumer driven way of life believes that 'they' could possibly be contributing to a fast approaching global crisis! No one, that is, apart from our peasant farmer, who does not suffer an insatiable hunger for material gain, but nevertheless remains caught up in its consequences.

This farmer must pay the price for other's insistence on living in the profit driven, fossil fuelled fast lane of unsuppressed greed. A lane that ultimately leads to global ecocide. He will not be approached by those who depend upon the 'quality control' technicians whose role it is to scrutinize the sanitised products which line the supermarket shelves.

To these consumers, the farmer is a strangely primitive being who provokes a tremor of fear; almost disgust. Consequently, he has no buyer for his home grown carrots and beetroots; his orchard cherries, his free ranging chickens and eggs. Neither will his wife have any buyer for the fresh milk she lovingly extracts from the docile farm cow. This milk is, after all, too good to ever get into any supermarket display cabinet.

So with no one coming to the door to purchase the fruits of their labour, our farmer regretfully goes off the farm in search of some part time job to help support the family's needs. The farm activity contracts, producing just enough to feed the family. While the younger generation abandon ship in favour of earning their livelihood in another place, another country and another way of life – the one that is mining the finite wealth of the planet as though it were infinite.

Then, one day, some shocking news comes across the airwaves of the world. News that the majority of foods on sale in shops and supermarkets are unsafe to eat. That they are the cause of multiple sicknesses and unprecedented rates of cancer and heart disease. Epidemics are also spreading round the world that can no longer be controlled by conventional medicines and which the compromised human immune system is now too weak to fully resist.

A few days later it is admitted that normal resources of water have become largely undrinkable due to high levels of pesticides and hormones which have heavily polluted the rivers and streams that run through the desert-like, agrichemical-soaked monocultural farms, whose produce still lines the supermarket shelves.

In hundreds of cities and towns, panic breaks out. People desperately seek advice as to what to do and where to purchase safe foods. The big chain stores try to reassure their customers and the mainstream media calls for people to be calm and listen to the advice of government. But the story is out and the old platitudes cease to have the desired affect.

Chaotic scenes become widespread as people become engaged in panicked attempts to stockpile what they hope are 'safe foods'. However, the truth is that no one knows what foods are safe or not safe. What water is pure or polluted. What storekeepers are honest or lying. No one had ever thought that anything like this could ever happen; so preoccupied were they with their materialistic concerns, consumer preferences and nine to five jobs. It never occurred to them that they could be collectively complicit in

triggering a global crisis of unprecedented proportions.
At least, almost everybody.
Not long after this announcement was aired, a group of people nervously gathered outside our farmer's house. A woman with two young children knocked tentatively on the door; while some of the others were more openly agitated and even threatening.
The farmer came slowly to the door and opened it.
"What do you want?" he said.
"I want to know if you can sell us any safe food" said the lady
"My children are hungry and someone in the village said that on your farm the food is still not poisoned."
The farmer stood silent for a while. Others shouted out "We need food!" Eventually he turned to his wife "Well" she said "You had better let them in."

If you liked this piece – you are sure to want to purchase a copy of *In Defence of Life – Essays on a Radical Reworking of Green Wisdom*. Available at Amazon.com and independent book shops. www.julianrose.info

The politics and economics of William Cobbett

Born on a farm in Farnham, Surrey, Cobbett believed that reforming Parliament and abolishing the rotten boroughs would help to end the poverty of farm labourers, and he attacked the borough-mongers, sinecurists and "tax-eaters" relentlessly. He consistently opposed patriarchal power and centralised authority. In the early 19th century, he railed against the coming extinction of the whole English power of self-support through the development of the money economy. He deplored the spread of urban populations, as the financial powers drained and degraded the resources of the countryside. And he foresaw the growth of dense, dependent populations incapable of procuring their own food, the sacrifice of men to their machines. Before it even happened, he saw what many today fail to see. As Chesterton observed, he saw:

"the sprawling omnipotence of financiers over patriots, the herding of humanity in nomadic masses whose very homes are homeless … the wealth that may mean famine and the culture that may mean despair". (Chesterton 2008, p5)

The Householder of today could most profitably study Cobbett. No country bumpkin harking back to an idyllic past, his clairvoyant understanding of how THAT FINANCIAL THING would rampage over the world anticipates that of the most perceptive thinkers of our times. He foresaw how mass production, and the associated changes in humanity's relationship with Nature, would destroy the social fabric, making good food, farming and family life impossible for many "poor wretches". Best known today for his *Rural Rides and Cottage Economy*, his writings inspired leading thinkers in the Social Credit and Arts and Crafts movement generally.

Social Credit literature currently available in print or online.

Over the century (virtually) since Clifford Hugh Douglas first put pen to paper, a vast literature on the subject of Social Credit has appeared in print. Douglas' own works were translated into many languages, and most of his books can still be bought over the internet.

The Political Economy of Social Credit and Guild Socialism
Frances Hutchinson and Brian Burkitt, (2005) £12.99

Social Credit: Some Questions Answered
Frances Hutchinson £3

The Grip of Death:
A study of modern money, debt slavery and destructive economics
Michael Rowbotham £18

Understanding the Financial System: Social Credit Rediscovered
Frances Hutchinson (2010) £15

What Everybody REALLY Wants to Know About Money
Frances Hutchinson £12

Asses in Clover (Fictional dystopia)
Eimar O'Duffy (2003) £11

This Age of Plenty
A new conception of economics: Social Credit
Louis Even (Pilgrims of Saint Michael)

The Social Artist

The quarterly journal is freely available electronically. For both print out and read only versions see www.douglassocialcredit.com.

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Social Credit Secretariat, £10 (UK), £15 (airmail).

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The body of economic theory known as 'social credit' was studied across the world in the inter-war years of the 1920s and 1930s, as ordinary men and women struggled to understand how it was that the world could afford the waste and horror of war. The Social Credit movement was supported by leading figures in the arts, sciences, the church, politics and social activism, all of whom presented the case for peace based upon social justice and environmental sustainability.

What is physically possible
and socially desirable
must be financially possible

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The Social Artist is a quarterly journal dedicated to breaking the boundaries between Christian Social teaching, Anthroposophical Social Renewal, and the institutional analysis of money as presented by the Social Credit movement.

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