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FOR POLITICAL AND ECONOMIC REALISM

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THE ECONOMICS OF HOPE

The characterisation of Social Credit as "a funny money scheme" virtually served to put Social Credit off the map at a time when it represented a real hope for the aspirations of millions. This vicious slogan was reinforced by the allegation that Social Credit had been tried and had failed in Alberta. Social Credit was never tried in Alberta, for the very good reason that forces external to Alberta took fully effective action — disallowance by Federal authorities of Provincial legislation — to ensure that financial orthodoxy remained unchallenged. Then preparation for war ended the shortage of money which, during the great Depression, had highlighted the glaring anomaly of poverty amidst plenty, when crops were destroyed to raise prices.

Accelerating, and potentially disastrous, inflation on a world-wide scale is once more (1971) focusing attention on the nature of the monetary system. Money which day after day loses its purchasing power is, in the pejorative sense, quite truly "funny" money — it is as if lead were to lose its weight, or fire its heat. This time, however, the poverty in the midst of plenty is considered to be due to a surplus of money. This idea gives rise to the idea that there is a "right" amount of money — neither too little nor too much — and hence to the idea of a "managed" monetary or economic system.

But Social Credit is not primarily about money at all; it is about the practicability of *economic* democracy. The central issue was stated by C. H. Douglas in 1924 as follows:

> "The policy of the world economic system amounts to a philosophy of life. There are really only three alternative policies in respect to a world economic organisation:
>
> "The first is that it is an end in itself for which man exists.
>
> "The second is that while not an end in itself, it is the most powerful means of constraining the individual to do things he does not want to do; i.e., it is a system of government. This implies a fixed ideal of what the world ought to be.
>
> "And the third is that the economic activity is simply a functional activity of men and women in the world; *that the end of man, while unknown, is something towards which most rapid progress is made by the free expression of individuality, and that, therefore, economic organisation is most efficient when it most easily and rapidly supplies economic wants without encroaching on other functional activities.*"

All that has happened since 1924 has demonstrated that the second of these policies has been ruthlessly enforced. But the work-State is ultimately incompatible with human freedom, and leads to the police-State — whither we are clearly headed. Whatever "democratic" governments may think they are "managing", they are in fact merely agents of this policy, and what passes as economic "theory" is merely the rationalisation of the means to this end.

High taxation, for example, is supposed to "control" inflation. But high taxation is a Marxist concept, designed virtually to universalise the proletariat — eliminate the middle classes, leaving only the rulers and the "toiling masses". Inflation is another form of taxation, and has the same origin. The rulers, of course, would be those who already rule through financial power — and those who are implacably opposed to any rectification of an obviously defective financial system. Elsewhere in this volume the basic principles of a scheme adaptable to the present situation are put forward. Its adoption would *reverse* inflation — that is, would progressively increase the purchasing power of human effort, leading to "a higher civilisation and greater leisure", and, as a corollary, a diminishing incentive to crime and disorder.

It is important to realise that, given stable purchasing power, an income above a certain level becomes increasingly synonymous with power, because the individual capacity for consumption is limited. Power, of course, means power over people; this is the attraction of the work-State for the very rich — in the last resort, the controllers of the international financial system, to which national systems are subordinate. Nothing has ever threatened the position of these people as did the Social Credit proposals.

If, as we contend, the money system is a purely artificial device, and hence susceptible to modification to implement the third policy noted by Douglas, any commentary which assumes that money has the same sort of real existence as, say, the mercury in a thermometer, is bound to be wide of the mark. Money is much more than 90 *per cent* mere accountancy; it does not exist except as figures in books. Douglas described money as a licence to act; so the fundamental question is: who, in the last resort, controls the licences, and to what end are they issued? The man with a bank overdraft stands in awe of his local bank manager; but the latter stands in awe of his Head Office; and so *via* the Central Bank to the World Bank — a consortium of International Financiers among whose predecessors were those who financed the Russian Revolution, against the day when the progress of the industrial arts could, by emancipating the proletariat, threaten their position as the World Government.

— From Introduction to *The Survival of Britain* — Contemporaneous Commentaries on linked events of 1968-70 by Bryan W. Monahan (published 1971).

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SOUTH AMERICAN FOREIGN DEBT

Vers Demain (and Michael) November-December 1985 quote the following from *La Liberté,* Switzerland, 15th October 1985:

"A Brazilian cardinal and the foreign debt, Don't pay it, it is immoral."

"One of the major problems which confronts Latin-American countries is the burden of the foreign debt. To the mind of Paulo Cardinal Arns, Archbishop of Sao Paulo, the debt has been already paid — certainly several times — for the interest rates, which began at 4 per cent, have already risen to 21 per cent and are at the moment at 8 per cent for the Brazilian debt.

According to the Cardinal, paying this debt can only be done by causing the majority of the Brazilian population to starve to death.

Dom Pedro Casaldaliga, Bishop of the territorial prelacy of Sao Felix do Araguaia, in Mata Grosso, also considers that this debt cannot be paid, neither materially, nor, above all, morally ". . . for it will mean starvation and misery for the population working to produce the resources required for the payment of this debt to international banks".

The Word (Maynooth, Co. Kildare, Ireland) January 1986, states that Brazil has to export food to earn the money to pay their debts . . . the problem is the multi-nationals . . . (which) have expanded their presence in agriculture: "Agribusiness is interested . . . in exports. . . . In Brazil . . . 21 per cent of the land is in the hands of small farmers and 43 per cent is owned by Agribusiness. But the small farmers produce 73 per cent of the food consumed in Brazil and Agribusiness produces only 6 per cent! If Brazil were a country of small farmers there would be no more hunger."

What can we do about all this?

It is important in this situation that we should spread the concept of non-repayable money and familiarize the active minds of those in positions of influence and power with this concept.

John Mitchell, of the *Our Country, Our Credit, Group,* is engaged significantly in several Latin American countries,

(Continued on page 4 at foot of column 2)

THE BUDGET 1986

On the principle that the prime function of Government is to serve the best interests of the electors, the Chancellor's Budget may be said to have taken two small steps in the right direction. The first was in reducing the standard rate of income tax by a penny, and the second was the statement of policy to restrict borrowing in the financial year to £7 billion.

Pitifully small though it is, the cut in income tax is significant in that, despite the clamour for more Government spending on "job creation", the Prime Minister and Chancellor stuck firmly to the view that, given the chance, taxpayers could spend their money better themselves than could the Government.

The restriction of the Public Sector Borrowing Requirement indicates the intention to slow down the rise in the National Debt. This has leapt during the lifetime of this Government from £86,885 million in 1979 to £158,251 million in 1985. Over the same period, annual debt charges have increased from £6,455 million to £12,916 million. In short, servicing the National Debt now costs nearly as much as Defence, or Education or Health. (*Annual Abstract of Statistics 1986*)

But just suppose, as a first step towards dismantling the present debt-creating system, the so-called Public Sector Borrowing Requirement were to be funded by debt-free Treasury Notes (or some such instrument) instead of by borrowing. What could happen then? Here are some examples.

1. The annual increase in the National Debt would be halted and reversed as maturing Gilt-edged Stocks were repaid in Treasury Notes and not replaced, as now, by further borrowing.
2. The cost of servicing the National Debt would rapidly reduce, with corresponding scope for tax reductions. Every billion saved represents roughly one penny of income tax.
3. Within the physical limitations represented by the human and material resources at present unused (human "unemployment", and factories, workshops, and machinery either idle or working well below capacity), the present restrictions on Government spending on essential services could be relaxed. Health, Education, Social Services and infrastructure renewal could all benefit thereby.
4. Above all, the resultant demand-led expansion in the economy would bring renewed life and hope, as well as higher incomes, to millions of people now condemned to idleness and despair.

The stranglehold of orthodox governmental financing has got to be brought home to our legislators. They must be brought to an awareness of the concept of debt-free money soundly based on the real capacity of the nation's resources and controlled by a sovereign Parliament. This is their supreme duty, since money dominates all aspects of national life. Tackle your M.P.

THOMAS EDISON

An extract from an interview with the American inventor Thomas Edison on his return from inspecting the Central Electric installation being built at Muscle Shoals on the Tennessee River, published in the *New York Times,* in 1928.

"If cash is issued by the nation, 30 million dollars for the financing of Muscle Shoals would be a good thing. Once this way of issuing money for public development has been tried, the country will never go back to the method of borrowing. Now there is Henry Ford proposing that Muscle Shoals should be financed by an issue of cash (instead of debt). Splendid, let us suppose for a moment that Congress follows his suggestion. Personally, I do not think that Congress has enough imagination to do so, but let us suppose that it has. The required sum is authorised — let us say 30 million dollars. The cash is issued directly by the government, as all cash ought to be.

"When the workmen are paid, they receive United States banknotes. Save that perhaps these notes will bear the engraving of a dam instead of that of a train or a boat, as certain Federal Reserve notes have, they will be the same as any other notes issued by the government, that is to say, they will be money.

"They will be based on the public wealth already existing at Muscle Shoals; they will be withdrawn from circulation by the wages and salaries of the Central Electric Company. That is, the people of the United States will receive all they have put into Muscle Shoals and all that they could get out of it for centuries . . . the endless power of the Tennessee River . . . without taxes and without increasing the national debt."

"*But suppose that Congress can't see it, what happens then?"* they asked Edison.

"Then Congress will have to go back to the old way of doing things. They will have to authorise an issue of public debt. That is to say, they will have to go to those who lend money and borrow enough of our own national money to complete these public works and we shall have to pay interest to the money-lenders for the use of our own money.

". . . That is what Henry Ford wants to prevent. He thinks it stupid, and I agree, that for the loan of 30 million dollars of its own money, the people of the United States should be forced to pay 66 millions — the whole amount with interest. People who have not lifted a spade nor given an ounce of plant will pick up more United States money than those who have provided the materials and the work. . . . In all our important public debts, the interest to be paid is always greater than the capital.

". . . If our nation can issue a dollar loan, it is capable of issuing a dollar bill. The factor which makes the loan valid is the same which would make the dollar good . . . both are promises to pay but one enriches the usurers and the other would help the people.

". . . It is a terrible situation when the government, in order to increase the national wealth, has to put itself into debt and submit to paying ruinous interest to men who govern the fictitious value of gold."

— From *Vers Demain,* Rougemont, P.Q., Canada, March 1986

THIS SORRY SCHEME OF THINGS

Today's borrowings from the banks have the double, or treble task of liquidating the borrowings of yesterday — in which are re-embodied the borrowings of a long line of yesterdays, going back, some of it, possibly to the beginning of banking in this country in 1694, when the National Debt began its fraudulent, devastating career — paying the interest thereon and providing the community with a living at the same time. Tomorrow's borrowings have to liquidate those of today — including all their re-embodied ancestors — pay the mounting interest, and provide the community with a living tomorrow; and all the tomorrows after that have to repeat and continue the process until the struggle to survive under the mountains of ever-growing irredeemable debts — all bogus — drives the peoples of the Earth into a frantic and fruitless search for markets, and the madness of world wars of annihilation — or shocks them into sanity, so that, instead of killing each other, in order to earn a living, they take their bankers and financiers by the throat — metaphorically or otherwise — and say to them: 'Stop this bogus debt racket at once or else'!

They — the hierarchy of banks — know quite well, it is a racket and how to stop it. They don't need to be told what to do, but given an ultimatum to do it, and do it at once. . . .

To put the matter as bluntly and brutally as our desperate plight requires it should be put, the only difference between banking as it is carried out today throughout the world, and counterfeiting, is that banking is legalised robbery of the community — and the world — by professionals, on the grandest possible scale, whereas the crime of counterfeiting is illegal robbery of the community by amateurs, and the scale of their operations, compared with that of their professional brethren, is as a grain of mustard seed to a mountain.

And yet banking could be run as honestly as the bankers doubtless like us to think it is run, and be a godsend to the world, if those who run it were to admit openly the obvious fact that all the financial credits they create are drafts on the community's "real credit" — its ability to produce goods and render services, to which the banks have no title at all, except as a very small fraction of the community, and were to regulate their book-keeping in strict accordance with that fact — that is, that all loans should be entered in their books in the community's name as creditor, and not the banks'; and this credit account should be written up in accordance with all production, capital appreciation, and imports; and written down in accord with all consumption, capital depreciation, and exports; and that free and equal payments be made from this ever-growing credit fund to every member of the community — in the form of a National Dividend — to bring and keep their purchasing power — their total personal income, as consumers, always level with total productive capacity and costs, so that whatever they care to produce they can buy; and, in buying it can cancel out of existence all the formal debts involved in its creation — instead of merely substituting new and larger bogus debts for each one cancelled, as now.

— From *The Struggle for Money,* Chapter I, by H. M. M., 1957.

THE HIDDEN HAND

. . . Disraeli is reported to have said that "Governments do not govern, but merely control the machinery of government, being controlled by the hidden hand;" and he knew what he was talking about — so it should be the first concern of every country and people to see that their elected governments have the guts to control the hidden hand of finance. . . .

Sir Winston Churchill had more than an inkling of what was, and is wrong when giving his Romanes Lecture — "Parliamentary Government and the Economic Problem" — at Oxford on 19th June 1930. He said: "The classical doctrines of economics have for nearly a century found their citadels in the Treasury and the Bank of England. . . . Whatever we may think about those doctrines . . . we can clearly see that they do not correspond to what is going on now. . . . It is certain that the economic problem with which we are now confronted is not adequately solved, indeed is not solved at all, by the teachings of the textbooks, however illustrious may be their authors. . . . If the doctrines of the old economists no longer serve for the purposes of our society, they must be replaced by a new body of doctrine. . . .

"Beyond our immediate difficulty lies the root problem of modern world economics; namely, the strange discordance between the consuming and producing power. . . . Who would have thought that it would be easier to produce by toil and skill all the most necessary or desirable commodities than it is to find consumers for them? Who would have thought that cheap and abundant supplies of all the basic commodities should find the science and civilisation of the world unable to utilise them? Have all our triumphs of research and organisation bequeathed us only a new punishment — the Curse of Plenty? Are we really to believe that no better adjustment can be made between supply and demand? Yet the fact remains that every attempt has so far failed. . . . They include every form of fiscal policy and currency policy. Yet all have failed, and we have advanced little further in the quest than in barbaric times. Surely it is this mysterious crack and fissure at the basis of all our arrangements and apparatus upon which the keenest minds throughout the world should be concentrated. Lasting fame and great advantage would attend the nation which first secured the prize. . . .

"Economic problems, unlike political issues cannot be solved by any expression, however vehement, of the national will, but only by taking right action. You cannot cure cancer by a majority. What is wanted is a remedy. Everyone knows what the people wish. They wish for more prosperity. How to get it? That is the grim question. . . .

"Parliament is upon its trial, and if it continues to show itself incapable of offering sincere and effective guidance at this juncture, our parliamentary institutions, so admirable in the political sphere, may well fall under far-reaching condemnation."

Sad to say, it didn't occur to him that, having stated the problem so clearly, and emphasised its seriousness, it was his duty to seek a remedy himself, and not merely exhort others to find one. Had he done so he would have discovered that ten years or more before be delivered his address Major C. H. Douglas had analysed the problem into its basic elements, and devised a solution for it that fitted all the facts, and was watertight in every particular; that this solution was widely known if little understood by those who should have made it their business to understand it — our politicians — and that if he had adopted and applied it when he came into power he would have won for our country — and for himself — the lasting fame and great advantage he said would attend the nation which first secured the prize — and the whole world would have shared the advantage — and he himself would have stood infinitely higher in the records and estimates — and estimation — of posterity than he is ever likely to do now. . . .

— From *The Struggle for Money,* by H. M. M., 1957.

"MANAGING THE ECONOMY"

"The prime concern of the industry of any country should be to provide the *home* market with the goods it requires with the minimum of effort and inconvenience to consumers who, in their other aspect, are workers. To this end, international trade should be considered as a facility; what cannot be produced internally either at all, or without disproportionate expenditure of energy, must be imported. Thus international trade becomes a mutually beneficial exchange of *relative* surpluses, instead of an irrational end in itself.

"A grasp of these fundamental realities should be sufficient to judge the qualifications of politicians claiming the ability to 'manage' the economy. Manage to what end? To pile up figures in international account books, or to provide the inducement for the community to engage in co-operative industry — to provide the goods and services it requires with the minimum human effort? And the first step in the latter direction is to demand that an incentive taxation system be substituted for the present disincentive system."

". . . It is vitally important to recognise that it is not necessary to import "money" to purchase a country's own production. Surplus exports over imports are a real economic — i.e., physical loss. . . ."

— From *The Survival of Britain,* pages 81 and 99, 1971.

South American Foreign Debt *(continued from page 2)*

where he is in touch with Cardinal Arns, quoted above. He has told us of his need for help to extend his correspondence, which could have a wide influence, if successfully undertaken.

He has suggested that a photocopy of certain material, under suitable covering letter be sent to Government Ministers in the indebted South American Nations. Other relevant enclosures will also be sent. The estimated cost of each letter (not including airmail postage) will be approximately £1.30 and if you are in sympathy with this action perhaps you would care to subscribe towards this particular effort.

The standard response of Government, economists and others to the suggestion that the consumer should be given more money to spend is that it would cause the rate of inflation to rise. For that reason it must be stressed that actual experience has shown that non-repayable money as extra purchasing-power for a nation's production does not have that effect. If Government uses non-repayable money to compensate retailers on condition they lower their prices (by a discount), prices *would be lowered.*

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