THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

Vol. 67 No. 4 JULY — AUGUST, 1988

MONEY: AN HISTORICAL SURVEY

Condensed from Major C. H. Douglas's speech on 26th July, 1936 at the Social Credit study course for Conservatives at the Bonar Law College, Ashridge.*

. . . The policy of this country was and is a Whig policy. Now I should like you to place this statement side by side with the accusation which is universal on the Continent, in regard to both British and United States policy, that it is hypocritical. Because the keynote of Whig policy, which is predominantly a policy based upon orthodox finance, is hypocrisy — the justification, on some allegedly moral ground, of policies which are in fact not merely narrowly selfish, but pragmatically disastrous.

I should like to emphasise at once that Social Credit is not an artifically concocted plan either of my own or of any one else's. That is exactly what its opponents wish to argue about. While I am satisfied that the technical proposals which have been associated with it are reasonably sound (and I must add that that conviction is only strengthened by the complete failure of its opponents, either here or elsewhere, to establish their criticisms), the fundamental idea is simply the antithesis of Whiggism, namely, that the first essential of a stable, peaceful and successful society is to get at the truth and to present — not misrepresent — the truth to everyone concerned. "Credit is the substance of things hoped for, *the evidence* of things not seen," and no stable society can endure on *false* evidence.

To take the general proposition first. You will agree that we live in a money economy — that no one can live nowadays without money. Well, if the distinguished economist who is my critic here — Mr Hawtrey — had no other claim to consideration (and he has many such) he would have rendered a signal public service by enshrining in the *Encyclopaedia Britannica* the words "Banks create the means of payment out of nothing."

The whole of our civilisation rests upon the possession of the means of payment. It *need* not so rest, but it does in fact so rest. Taxation in money, fines as a punishment for legal offences, and other devices, quite apart from the use of money as a medium of exchange, are all devised with a view to make the power of the creation of money the fundamental power of civilisation. This power is fraudulent both in fact and ownership; but I would ask you to realise the absurdity of a complaint against the private ownership of, say, minerals, when there is an international private ownership of credit.

The history of money is one long unbroken history of fraud, and the acquisition of this power of money-creation by the banks is the final chapter. Without attempting to cover the historical aspect of the matter, one phase of it seems to me to be useful as indicating the basis of modern banking. Originally, just as a railway issues its own tickets, the wealth producers of the world, thousands of years ago, produced their own tickets. In those days the ownership of beasts of various kinds was the chief form of wealth, and of course the cattle had to be fed. Very often the rich man, the man who owned a lot of cattle, had not sufficient corn or fodder to feed the rest. The merchant of grain and fodder was generally an initerant, and it was not always convenient for him to take away the cattle; so he took from the cattle owner a leather disc which represented one head of cattle. Sometimes it had on it a rude engraving of the cow's head, or something of that sort, and sometimes it hadn't. Indeed most of you know as well as I do that the Latin word for cattle is *pecus,* and our modern word pecuniary derived from it is historical proof, it any were necessary, of the derivation of the first money.

Now, in that simple arrangement there is one point of immense importance to be noticed, and that is that the owner of the wealth, that is to say the owner of the cattle, actually, literally, in truth, *made* — not metaphorically but actually — *made* money representing his wealth, in the same sense that the railway makes tickets — not in the sense that the modern businessman "makes" money when he says he makes money. It is so long ago since he made any money that he has forgotten probably that he ever did say it, but when he did say it he was mistaken; he never made a cent in his life. If he had he would have been in jail for counterfeiting. All *he* did was to get money that somebody else had, but the original man about whom I am talking for the moment, the owner of cattle, actually *made* money. He made his leather discs as the owner of the wealth; they were token of wealth which existed, those discs, and the issuer of the token and the owner of the wealth were the same person.

Now — to carry our minds back a considerable distance through history — in the 15th and 16th centuries, when Europe was rent with various kinds of wars, and the chief owners of wealth were the feudal nobles, a great deal of their wealth was in the form of gold and silver plate. This was made by people who were called goldsmiths, and, because of the supposed great value of these metals, the goldsmiths had very good safes for those days to take deposits, and it got to be the habit of the feudal nobles not merely to have their gold plate made by the goldsmiths, but to deposit or leave it with the goldsmiths for safe keeping, and the goldsmiths gave a receipt for this gold plate, signed on parchment. It became a great convenience for the owner of one of these receipts, should he want to buy, say, a piece of land — instead of drawing out the gold plate or gold coins deposited with the goldsmiths — to hand over the receipt. Instead of actually drawing out the wealth, he handed over the *so-called* wealth, and these receipts on parchment signed by the goldsmith were the direct lineal ancestors of your modern bank notes.

At this point something happened which was not present in the original conception of money as issued by the owner of cattle. The right of issuing money was transferred from the creator or the owner of wealth to the custodian of wealth. Not the man who produced wealth, nor the man who owned it, but the man who took care of it issued the

(Continued on page 3)

THE SOCIAL CREDITER
FOR POLITICAL AND ECONOMIC REALISM

This journal expresses and supports the policy of the Social Credit Secretariat which was founded in 1933 by Clifford Hugh Douglas.

The Social Credit Secretariat is a non-party, non-class organisation neither connected with nor supporting any political party, Social Credit or otherwise.

Subscription Rates: One year £3; airmail £4.00; Australasia $6.

Offices—Business: K.R.P. Publications Ltd., 26 Meadow Lane, Sudbury, Suffolk, CO10 6TD. Tel: Sudbury 76374 (STD Code 0787).
—Editorial: 21 Hawkhead Crescent, Edinburgh, EH16 6LR.
—In Australia (Editorial, Subscriptions, Business and Books): Tidal Publications, 11 Robertson Road, North Curl Curl, N.S.W. 2099.

THE SOCIAL CREDIT SECRETARIAT

Personnel—Chairman: C. R. Preston, Meadow Cottages, Burndell Road, Yapton, Arundel, West Sussex, BN18 0HP, U.K. General Deputy Chairman: Dr Basil L. Steele, Penrhyn Lodge, 2 Park Village East, London, NW1 7PX. Deputy Chairman, Australasia: H. A. Scoular, 11 Robertson Road, North Curl Curl, N.S.W. 2099.

FINANCIAL BOOK-KEEPERS

Major C. H. Douglas in his talk in July 1936 (see page 1 of this issue) describes the core of the *technical accusation* made by Social Credit against the financial system as a *patent fact.* Since that date the National Debt has soared to £170bn and it will continue to increase as the *Social Credit analysis* predicts. The *Social Credit technique* is designed to deal with the defects disclosed by the analysis. Major Douglas was an engineer and his approach to the problems associated with finance is an engineering approach. Thus:

1. his analysis, supported by all the known facts;
2. his technical accusation against the financial system, arising from the analysis;
3. the Social Credit technique — one method of dealing with the defects as shown by the analysis, providing the release of mankind from regimentation.

We are invited, nay urged, to pursue the technical details of the analysis by personal study of the large bibliography now available. Alternatively we may ask how does the analysis fit the facts as experienced in everyday life? We might ask:

i. is not the world in debt to the banks, and how has that come about? Why should such debts continue to increase?
ii. does shortage of money hold up projects for which materials, labour and power exist unused and unemployed?

These and similar questions lead to the inevitable acceptance of the analysis, failing any other explanation for the defects in the financial system, and the mathematical proof (the A + B theorem) can be left to those capable of understanding that form of proof.

This talk by Major Douglas was given in the early days of Social Credit but like much that he has said and written, it remains apposite and worthy of thoughtful reading by those seeking an introduction to the economics and philosophy of Social Credit. Meanwhile, however, "the dogs bark, but the caravan moves on" (as Montagu Norman put it). The Banks (and their various arms in the financial institutions) are presently giving and offering, unsolicited, loans at 20% interest and many other facilities, seemingly at variance with the Government's avowed policy of "controlling the money supply". Contradictions abound in the orthodox economy because it is based on fraud.

ISLAM AND THE BANKS

Several readers have written in to ask us to expand on the statement in the last issue of this service, that one of the first major changes in Iran after the revolution was the elimination of Western banking and its replacement with a system prescribed by an Islamic code of conduct called *Sharia.*

What was accomplished in Iran at one stroke under the Bank Nationalisation Act of 1979 has been happening by a more gradual process in all Muslim countries, beginning towards the end of the 1970s. Sharia has to do with much more than banking. What it means is that all institutions which have to do with human relations must conform with the requirements of *a total way of life* having its roots in a deep and comprehensive interpretation of the meaning of existence.

Western banking is thus condemned as the eclectic product of an intellect that prides itself on being "value-free", wilfully blind to moral factors which are metaphysical in character and which finally determine the results produced.

Monetary reform campaigners in the West might be astonished by the quantity and quality of thinking which Muslim scholars have put into the subject of banking and of economics generally, all such thinking being constellated by the metaphysical magnetism of the Prophet Muhammad's simple utterances. Here are some of the key elements of the Islamic economic system, listed by Mohsin S. Khan and Abbas Mirakhor:

- *Individual rights:* These are a consequence of the fulfilment of duties and obligations, not antecedent to them. In other words, first comes the duty then the right.
- *Property:* Ownership is never absolute, conferring on us the right to do with our property wholly as we please. As the Sharia puts it, all property belongs to God; we are only its temporary incumbents and trustees; there are duties and responsibilities inseparably attached to the ownership of property.
- *Work and wealth:* Islam exalts work as an inseparable dimension of faith itself and reprehends idleness. We do not need work only in order to earn a livelihood; we need work to preserve our psychic health; we need to exercise creative skills and to spend energy in work.
- *Usury: The Koran* forcefully prohibits the payment and receipt of interest, or riba as it is called. It is only at the level of metaphysical insight that the inherent evil of usury can be clearly seen and understood.

  Interest on a loan is regarded as a morally indefensible creation of instantaneous property rights outside the legitimate framework of existing property rights.

  In other words, the lender creates extra money in the form of a paper claim on the property of the borrower, disturbing the entire framework of property ownership.

  A claimed right to the property of another as security for a loan is thus seen as the fountainhead of incalculable injustice and social dislocation. The only loan transactiion permitted by the Sharia is one in which lender and borrower *share the risk* as well as any possible profit; the lender can lose the whole of his loan and the borrower only what he has contributed to the enterprise, including his labour.

Out of these and other basic principles there has been evolved an elaborate system of Sharia banking to meet the requirements of an infinite variety of transactions, from the

Money: An Historical Survey *(Continued from page 1)*

receipt which, as I say, was the lineal ancestor of your modern bank note.

That was one of the most epoch-making things, though probably unnoticed until the present time, that has taken place in the history of the world in the last two or three thousand years; because it was the goldsmith's signature upon this parchment receipt which made it pass from hand to hand — not the name of the owner of the wealth — so that this power of creating money which is so important, passed to a third party who was neither the owner nor the creator of wealth, but merely its custodian.

There is no doubt that at this point some dishonest goldsmith found that a large number of his clients left their valuables in his care almost indefinitely. They were safer with him than elsewhere, perhaps even in the castle of the owner, so that there was always a tremendous amount of wealth in the actual custody of the goldsmiths which apparently was never drawn out. Our dishonest goldsmith had the bright idea of issuing several receipts for one piece of wealth, on the assumption that those receipts would not all be presented at the same time. It was particularly easy where merely gold coins had been deposited, for if by any chance an owner of wealth did ask for his gold crowns, he would get them, because they need not be the same gold crowns that had been deposited. So it was found quite safe in a general way to issue more receipts for wealth than the wealth which had been deposited.

That, without doubt, was the first inflation, and of course it gave the goldsmith the value of all the receipts in excess of those which represented wealth actually deposited. That process, beginnning undoubtedly in fraud, grew so common that it became the convention amongst bankers, who were the descendants of the goldsmith, to do this thing; and they have always for the past several hundred years been in the habit of issuing more receipts for wealth than the actual wealth which was deposited with them. At the present time it is a well-known convention, not denied by bankers themselves, that for every dollar of legal tender which they have, they issue nine dollars of credit money which they actually create themselves; just as the goldsmiths, not by exactly the same process, created those false receipts representing deposited wealth which was not there. Now, no scheme of that kind so obviously fraudulent, in its beginnings at any rate, could have proceeded so long as it did, and for that matter does at the present day, if it had not served a very useful purpose. In fact the additional receipts were passed as money, facilitated trade, kept goods moving and were in every way an advantage, even to the general population. They were of the greatest advantage, of course, to the banker, but they were also of great advantage to the public, as they provided it with money.

Still a third thing has happened to the money system. Until a very short time ago, practically up to the beginning of the European War, the convention was that either a banknote or a cheque on a deposit — which was simply an order to a goldsmith to pay so much to somebody else, which is exactly what was done in the old days — both of those things, the banknote or the cheque, were supposedly cashable at any time in tangible wealth at the bank — in golden sovereigns in fact.

The idea was that the bank was a custodian of a certain amount of tangible wealth, and that could be drawn out by means either of a banknote which was payable on demand, or by cheque, and the actual tangible wealth could be taken away. That was the convention.

There is an idea put forward by people, who ought to know better, at the present time, that banking is that sort of thing now. It is nothing like that, as I propose to show you. There used to be, of course, a lot of bank failures, even in Great Britain, and those banks failed because people suddenly decided, all at once, to draw out the things for which they had orders on the bank in the form of banknotes or cheques, and when they all tried to draw out at once, they found that what they wanted was not there.

It never was there; it never has been there for at least a 100 years. The bank has never consisted, in the last 100 years, of merely handing out at one end of the counter what was put in at the other. No bank ever paid a dividend in the last 100 years on the process of merely lending that which it took in. There is no possible doubt at all about this thing. I sometimes wonder why it is that certain protagonists — certain defenders — of the present banking system go on arguing about this matter. There is no possible doubt about it. And since the war the convention that you could get golden sovereigns in return for your cheque or banknote has not even had a plausible foundation. All you can get for a banknote is another banknote. There is no longer any obligation to hand over anything more tangible than some printed paper.

In brief, the creation of money, once performed by the producer of wealth, then by the custodian of wealth, who fraudulently issued more paper than the wealth he guarded, has passed to a set of people who neither produce, nor own, nor guard the wealth, but are merely book-keepers.

The great thing to notice about this situation is that the creation of wealth — the real creation of goods and services which go to make a standard of living, the thing which makes the difference between starvation and comfort, and makes all those things that we call civilisation — the actual making of these things is carried on by one organisation, but the making of money, by which alone these things can be transferred from the producers of wealth to those who wish to consume it, is carried on by an entirely separate organisation, having no real connection with the production of wealth at all, not even as its custodian.

It is exactly the same position as if you had a railway in which one set of people were providing trains, rolling stock, permanent way, signals and railway stations — everything in fact, including both men and material, necessary to operate the railway — and you had a totally separate organisation, not fundamentally connected with the railway system at all, which had got control of the ticket office and was making its own terms in regard to the tickets, and was saying, "We don't care how many seats in the train there may be; we don't care how many people want to travel on the train. We will alter the number of tickets, restrict them, or do anything that we like with the tickets just to suit our conception of the best policy from our point of view, and if your population wants to travel on those trains, even if there is sufficient accommodation on those trains, well, that is just their bad luck. They may or they may not, according to *our* policy." That is not an exaggeration and it is not intended to be even a condemnation of any organisation in particular. It is just a plain statement of fact, of the conditions which obtain at the present time. I am certainly not here as a moralist; but as an engineer I have an appreciation of the importance of foundations. I find it incredible that a stable society can persist founded on the most colossal lucrative fraud that has ever been perpetrated on society.

It is one of the tragedies of this fraud upon society that the control of credit and the control of information in all its forms — education, publicity, etc. — are concentric and interdependent, and it is obvious that the primary use which is made by the financial hierarchy of this control of information is to mould public opinion into channels which will buttress the usurped authority and hypnotise whole communities into asking for what they do not want. A commonplace instance of this is that of referring to the "unemployment problem" when the achievement of leisure is meant. I have even heard it stated that the proper object of labour-saving machinery is to increase work; but it is not necessary to emphasise that the idea in the mind of the inventor of a labour-saving device is to save labour and therefore to achieve leisure.

The mechanism by which finance moulds economic thought is well exemplified in the London School of Economics. Its chairs were endowed by Sir Ernest Cassel, on whose behalf we fought the Egyptian War of 1882 with its present repercussions. So successful is this hypnotic process that, so far as I can judge, a thorough academic training in economics — so-called — is almost a fatal handicap to a commonsense apprehension of the subject. Only a brilliant economist like Mr Hawtrey, with all the orthodox training, familiar with the thought of other brilliant economists, and steeped in the tradition of the Treasury — which is the Tweedledee to the Bank of England's Tweedledum — would suggest, for instance, that a country like Great Britain with a National Debt of £8,000 million, which is increasing daily, has on the average paid for, and is paying for, what it produced.

If I manage to live by increasing the mortgage on my house, it seems to me a misuse of language to say that I am paying my way. Might I add that despite his heavy handicaps, I perceive signs that Mr Hawtrey will join other economists who are becoming and have become realists! He was good enough to send me an advance copy of his remarks, which I have read with interest. I do not propose to deal with them in detail here because I do not consider this occasion as a debate, but as an invitation to state my views. If he *should* desire it, however, I will see that his objections, which are not new, are *again* answered categorically.

The core of the *technical* accusation made by us against the present financial system is *that prices contain items not represented by money anywhere, and that these unmonetised items are represented by debt which is increasing and which cannot be liquidated.* Mr Hawtrey has not in my opinion deal with this core of our charge, and, as it is a patent fact, he cannot possibly dealt with it. It is from this fact that the major evils of civilisation arise, including war.

The Social Credit technique is simply a method of dealing with the defects disclosed by the analysis. I believe it to be logical, sound and practical, but I am willing to discard it tomorrow in favour of anything which is based on an admission of the analysis and which achieves effective distribution *and, at the same time, release from regimentation.*

For those who wish to pursue the matter into technical detail there is now a large bibliography available, and in my opinion the matter is better pursued in this way. The principles involved are simply (a) that provision shall be made for the purchase of all consumable goods *at the rate at which they are produced;* (b) that the debts created by the inevitable creation of capital assets (which Mr Hawtrey calls fixed assets) shall be distributed and not annexed by a predatory banking system, thus providing the population with the economic security they have earned, and abolishing "the struggle for markets."

If we hypocritically claim that the employment system is a moral system and that man must be *kept* at work, rather than *choose work,* we are sealing the doom of this civilisation.

* This address was first printed in *The Fig Tree* for September, 1936.

Islam and the Banks *(Continued from page 2)*
financing of a large industrial undertaking to the purchase of a bicycle or small plough.

It is a system wholly incompatible with the sort of wheeler-dealer brigandage that prevails in the great stock exchanges in the West, and is equally incompatible with the weird alliance of money and intellect which, in spite of all the warnings in the *Gospels,* has delivered the whole of the West into the hands of the "money-changers".

Khan and Mirakhor sum up as follows: "Policy makers in Islamic countries face a number of difficult problems as they move toward transforming their economies to be consistent with religious principles. There are many macro-economic and financial issues that are yet unresolved. These include among others the respective roles of monetary, fiscal and exchange rate policies; the effects of changes in the system on financial intermediation, savings and investment; and the impact of the change in financial institutions on growth and development. During the transition many seemingly ad hoc and secondbest policies have needed to be adopted, but this is only natural as Islamisation represents an attempt to apply Islamic rules and codes of economic behaviour in countries in which economic and financial systems of largely foreign provenance have become well established". ("The Islamic Banking System in Iran and Pakistan," in *Journal of Social, Political and Economic Studies,* Washington DC, Fall 1986.)

What is the lesson for the West?

The Islamic response to the challenge of the 20th century revolution has highlighted *the failure* of the Christian churches, and helps to explain their present appalling state of division, confusion and disorientation. For what kind of consensus, or people's religion is it which fails to address the problem of human relations in that very area where men's appetites, motives, ideas and actions can be expected to produce the most important consequences?

By the Islamic example, it would seem that what is missing in the Christian churches is that *uncompromising militancy* which resulted in the physical expulsion of the money-changers from the temple, a militancy only made possible by total conviction, an attitude drawing power from metaphysical or transcendental sources.

As Balzac remarked, with the penetrating clarity of a great artist: There can be no universal application of Christianity until the money problem has been solved.

(From *Behind the Needs,* by Ivor Benson, c/o Heron Books, P.O. Box 29, Sudbury, Suffolk, CO10 6EF, April, 1988.)

Printed by Lindsay & Co. Ltd., Edinburgh