THE

SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

Vol. 69 No. 5 SEPTEMBER—OCTOBER, 1990

WHAT'S WRONG WITH THE ECU?

Some 44 million people in The European Community live on or below the poverty line — that's an increase of around five million in the last 10 years. Of course, it depends where you draw the line but the official definition describes the condition as living on less than half of the average local income, and that is the basis for the calculation.

Note the use of the word "local". It assumes that poverty begins at home — not elsewhere in The Community. It also assumes that poverty stays there. It further assumes that poverty is a Third World disease since EC charity does not begin at home, it is designated for overseas.

The EC is quick to make gestures outside of its immediate domain but it has no inbuilt welfare system. It is full of ideas about minimum wages, health and safety, shorter working weeks, and directives that member-states are called on to obey. But there is no provision for a basic income for all, regardless of circumstance.

Why should there be, one may ask. Certainly, if poverty is seen as essentially a "local" issue, then wealth is too. But the EC regards wealth as something to be achieved by centralisation, by "harmonisation". It does not perceive poverty as either a case for centralisation or for regulating out.

The fact that every grant and loan to a distressed or depressed area is fanfared as a triumph of Community spirit should not deflect the argument. Each item of "aid" has strings attached.

This can be seen very clearly in regard to Strathclyde, Scotland's largest and most resourceful region. It benefits greatly from lobbying the EC direct. It is a favoured outpost of Brussels, being given a boost with its chief city designated as Europe's City of Culture. But what is behind all this?

First of all, it destabilises the United Kingdom, encouraging regions to go over the state's head, applying to a bureaucracy on the continental mainland for hand-outs, yea though they give us but our own.

It offers evidence that the nation-state cannot deliver the goods and justifies reliance on the supermarket philosophy of the EC.

But each development project is an advertisement, too. No bit of EC help is without the big, clear signs telling the passing traffic just what Europe has done for them.

Yet the signs are mere lapel badges to the greater identification with totalitarianism. Not only do they pinpoint the subversion of the U.K., they undermine nationalism. Take the case of Strathclyde, again. Its success "in Europe" breeds resentment elsewhere in Scotland.

Everything the EC does has this aim. Every aspect of its care for the Eastern bloc is based on the assumption that the nationalisms being expressed there can be bought out. Throw enough money at them and the nationalisms will go away.

Given that money is seen as the oil to ease every creaking joint and stiff limb, it is logical to urge, therefore, that everybody should use the same money.

If we were dealing only with paper, there is no great objection. It does cut down on all sorts of tiresome practices in exchange rates for those fortunate to travel "in Europe". But, remember out of 320 millions in Europe 44 millions cannot afford the fare to the next town. If ease of travel were the only benefit, the surge to have the same money might be resisted. But there is another plus, harder to contest. Industry and services could quote more adventurously yet with less risk from value fluctuations in the domestic and foreign currency. Consumers could expect to benefit from keener pricing, more competition, more choice. It would mean more exports.

But it would also mean more imports.

More cheap imports mean small businesses strapped for cash, unable to start up in the first place, or failing after a year or so. Survival of the fittest is the prevailing wind. So wealth becomes centralised in the most populated areas, those with the best access to sea, road, rail and air. Those who have get more. And what about the rest?; why, there is the statistic: 44 million *localised* poor. It is left to their neighbours to help. And who are their neighbours? Why, the *local* government. And who is local government? Why, the regions.

And when the regions come back with their begging bowl, lo and behold Strathclyde, the favourite son, and its like are told: you have had your share; Eastern bloc nations achieving freedom need to be helped to keep it.

And when Strathclyde yelps, the EC tells it to complain to Westminster. Westminster, stripped of authority, but boasting a chorus of loud voices, is the whipping-boy. In vain, it gathers its tattered cloak about it and moans of loss of sovereignty. At last, in destitution, the mighty region cowers before its master and becomes a Third World recipient; a dumping ground for noxious waste.

Strathclyde is here taken as an example but every other region in the U.K. can expect the same treatment; hot and cold; kind cop, cruel cop. Indeed, every region beyond the immediate epicentre of Franco-German dominance is in danger. The Rhine-Ruhr rides again.

And yet, the rush to "harmonise" currency goes on. Is that the answer?

(continued overleaf)

Seeking to head off the inevitable, the U.K. Government has come up with a differentiation between common currency and single currency. In this view, nation-states retain their own issue but allow the ECU to become a kind of traveller's cheque. It thus attains supra-national status and thus underpins the EC philosophy and points the way to the adoption of the ECU as tyrant cash.

The Government must know this proposal of a common currency is not going to go anywhere. Indeed, with its arm twisted up its back it will soon experience a jerk or two, a thuggish reminder.

Soon there will be agitation in The City — there will be talk of collapse of the pound; it will flee Britain in a flood because of some scare or other. Any excuse will do. There will be monetary scares; health scares in foodstuffs; health scares about water and nuclear energy; health scares about inadequacies in hospitals — maybe contaminated blood, AIDS, anything to drive away foreign funds. Stock Exchanges elsewhere in the world will panic The City and we will find no one wants even our paper-money. We will be pushed and shoved into the Franco-German ECU when we can't be cajoled.

Mrs Thatcher knows this all too well. She first intimated her fears in a remark tossed over her shoulder as she scudded across a continental airport tarmac. She didn't want Britain governed by 12 bankers, she said. It was caught in a sound-bite on the telly but not used in print.

Later she was more explicit about opposition to a European Central Bank superseding national banks:

"I neither want nor expect to see such a bank in my lifetime — nor if I am twanging a harp, for quite a long time afterwards" she said.

"A European Central Bank in the only true meaning of the term . . . would mean surrendering economic policy to the board of that bank. I can't see my fellow heads of government surrendering economic policy to such an anonymous body."

C. H. Douglas went to the heart of the matter when in *The Big Idea* he said:

"It must be remembered that there is no such thing as the destruction of power. Power once centralised cannot be used while centralised for anything but the ends of the organisation in which it has been centralised."

The point here is that centralisation has already occurred — the banks and the proposed Central Bank are but indications of how the existing centralisation can be tightened to stranglehold. Power has already passed from Mrs Thatcher's hands and we can be sure the ecu is inexorably going to take over in our pockets.

But, if we are in the grip of international finance — as we are — at the moment, does it make much difference whether there is one face or many?

The emphasis has to be on the face — how long will the Queen's head be on the money in our pocket? There is no need for it to be there. As Chancellor John Major remarked in a newspaper interview, the ecu does not need to be *legal* tender; it only needs to be accepted by people. The Scottish banknote is a case in point.

This argument can be used against the sovereignty of The Crown, acknowledged in the monarch's image on the coinage and notes "of the realm". But what if this realm no longer exists, under EC directive, to all intents and purposes?

To admit the ecu, therefore, as acceptable in the United Kingdom is far more than accepting the Irish penny — it is a direct assault upon the sovereignty of the nation, vested in the Crown, and recorded on the currency.

It *is* permissible, in the same way as a poor Turkish peasant will agree to take a Canadian dollar for pulling a car out of the mud on the road from Istanbul when the driver is far from a bureau de change; it is permissible but it is not admissible. In a phrase borrowed from the courts: payment made without prejudice.

In poll results, the BBC reports and quotes British people in general as being chary of having the ecu and the abolition of sterling. But the reasons given are emotive, subjective and irrational. Only when it is too late will the full disaster be known and only then will a gut reaction be proved right. In the meantime, we are left with the arguments of European business travellers as surrogates for the common people . . . of whom 44 million, remember, do not have the fare to the next town. What care they about the ecu?

Well, they should. For once it is established, there will arise the need for a local currency to offset the rush of mainline money to mainline termini. In a strange way, the evil of the single currency is going to over-reach itself (as every design of Satan must) and require the good of Social Credit concepts to be embraced.

During the War, the Co-operative Movement issued tokens as its own money. The tokens came as a "dividend" and were usable only in the Co-op. That was the theory — in reality, these tokens became their face value, alongside the normal currency, and were used in family and community barter and in local service facilities, like buses.

The "dividend" was a form of savings. Each Co-op member paid just a sliver over the going rate for goods in order to get a better and larger return in a lump pay-out. The Co-op could do this from mass investment and bulk purchase. This was a "local" economy in face of poor value at national level. Money at national level was not being dispersed down to the roots, so the roots had to establish their own scale of values.

The same is bound to apply to the European single currency. With 320 million people using the same tokens, these tokens will chase the concentrations of power, away from the fringes. The money will be in the cities of "Mittel Europa", clustered round the great arteries. To meet the escalated needs of trade, bigger and better transport facilities will be laid on: more roads, rail and air routes. Goods will move faster and faster between the central cities and their commuter belts; more and more people will drift into the conurbations seeking a share of the instant money in abundance within that closeknit network of "producers". There will be more goods produced than there are consumers — there will be a glut. But the cost of reaching the outskirts will be found to be prohibitive, so that if the fringe millions are to get produce, they will have to join the congregation of the rich. That will spell social unrest for those who are just hanging on, on the outskirts of the rich. They will repel invaders — especially "foreign" poachers from other *regions*. It won't take foreign nationals to arouse hostility, only "others".

All this is in keeping with the original concept: the destruction of nationalities and the nation-state.

The selling-point is, of course, that the boundaries of the rich will expand out. But they will only do so at the behest of those who make the money, circulate the money — and withdraw the money.

At any given time, the consortium of private bankers making up the Central European Bank will throw their credit weight in any direction they please. Thus, as posited

WHAT'S SO WRC

NG WITH THE £?

earlier, Strathclyde region of Scotland can have jam today, but no bread tomorrow. Tomorrow belongs to the so-called emerging democracies of the Eastern bloc. East Germany in particular is bound to attract "aid". Its steel production will be boosted while other parts of the European steel industry will be found to have had their day.

Thus, it is so monumentally lunatic of Strathclyde to have its cake while the bread of its steel industry is withdrawn. Theme parks are a ludicrous substitute for factories. If Strathclyde can be the showcase of the EC today, it is going to be the prime example of misplaced trust tomorrow.

Any region, like Strathclyde, which lives by the bank will die by the bank. The Central European Bank will dictate policy across the landmass and will expand only where it has not gone before. Thus we can expect the Soviet Union to be embodied, North America to be tied in and Asia to be seduced through Japan. Centralisation in Europe can thus be seen as a step closer to the One World envisaged by the international financiers. If they control the economy, they must control the politics.

Retention of national currency is therefore the last defence against usury-at-large and its handmaiden, totalitarian government. The Sovereign could well be assumed to be the last bastion but she has already been compromised beyond recall. Her signature went to the document authorising the Single European Act in the U.K. All regal symbolism is worthless against the ruthless and remorseless onslaught of hard materialism in the European Community.

Against this, there is only one resort: the maintenance of *local* currency; allowing such issue as a birthright to all in the *local* economy. This currency must reflect value to the locality as a living organism; not a promissory note.

Exercising such a currency would be radical, of course. It would cut out the usury and corruption of private banks, accountable to no one but themselves; and it would make government of the people by the people for the people more than a pious hope.

In a place like the British Isles, there is no need to be dependent upon any but The Third World who are dependent on the U.K. Taking back basic agriculture, basic fishing and basic manufacturing is not only possible, it is the only way out of the Crash that is sure to come in The European Community.

In due course our local currency, if we insist upon keeping it, would be far more stable and reliable than the ecu. The urge to have the ecu is of course irresistible but if we do not choose our own currency, we will in the end have no choice but to retain it. The ecu will not reach us — it will be held and circulated on mainland Europe where its value will be bounced up and down to affect politics.

Yes, there would be no more European war — not in terms of weapons of destruction. But masses would die from economic causes. Prosperity for the few could only be assured by the impoverishment of the many. That is seen domestically in the U.K. whatever the party in power and it would be the only outcome of European monetary and political union.

If the numbers on and below the poverty line have increased by five million in the last 10 years, what can be forecast for the next 10? If we are to escape such a Depression, we must look to the EC's own philosophy that poverty is a local issue.

Let us accept local poverty by accepting local wealth, too. Let nothing British go to mainland Europe without a localised return in value. Let trade be equal trade, not an exchange of debt and credit. Let nothing "extra" go abroad until every British resident has a minimum consumer income, whether from paid employment or not, which can purchase the necessities of everyday life — food, energy, shelter. So long as there is one poor among us, we are all poor. And so say 44 million of us.

IAIN MCGREGOR.

RECOMMENDED READING

Benson, Ivor	This Age of Conflict.
Burkitt, B. & Baimbridge, M.	What 1992 Really Means: Single Market or Double Cross?
Douglas, C. H.	The Brief for the Prosecution. The Development of World Dominion. Economic Democracy. The Monopoly of Credit. The Policy of a Philosophy. Social Credit.
Maré, Eric de	A Matter of Life or Debt.
Monahan, Bryan W.	The Moving Storm. The Survival of Britain. Why I am a Social Crediter.
Robertson, Thomas	Human Ecology.
Social Credit Secretariat	Elements of Social Credit.
Tether, C. Gordon	The Great Common Market Fraud.

Full booklist and prices upon request.

THE SOCIAL CREDITER

This journal expresses and supports the policy of the Social Credit Secretariat, founded in 1933 by Clifford Hugh Douglas. The Social Credit Secretariat is non-party and non-class, neither connected with nor supporting any political party.

Subscription rates (one year): U.K. inland £5.00; overseas surface mail £6.00; overseas airmail £7.50; Australia $10.00; New Zealand $11.00; New Zealand airmail $12.00.

Offices — Business: K.R.P. Publications Ltd., 26 Meadow Lane, Sudbury, Suffolk CO10 6TD. Tel. 0787 76374.
— Editorial: 21 Hawkhead Crescent, Edinburgh EH16 6LR.
— In Australia (Editorial, Business and Books): Tidal Publications, 11 Robertson Road, North Curl Curl, N.S.W. 2099. (Subscriptions): Tidal Publications, 3 Beresford Drive, Samford, Queensland 4520.

BOOKS and booklets on the subject of Social Credit and allied subjects are available from Bloomfield Books, 26 Meadow Lane, SUDBURY, Suffolk, England, CO10 6TD; and in Australia from Tidal Publications, 11 Robertson Road, North Curl Curl, N.S.W. 2099.

ADDITIONAL COPIES of THE SOCIAL CREDITER and back numbers are available from K.R.P. Publications Ltd., 26 Meadow Lane, SUDBURY, Suffolk, England CO10 6TD; and from Tidal Publications, 11 Robertson Road, North Curl Curl, N.S.W. 2099.

INSIGHTS

INFLATION AND MONEY SUPPLY

Time was when the £ sterling retained its value virtually unchanged for generations. Victorian parents could provide for their dependants quite untroubled by any thought of money depreciating. A life annuity for an unmarried daughter was "safe as the Bank of England".

But just how safe that really was became cruelly exposed when war broke out in 1914. The Bank was obliged to close for three days to forestall a run on the bank while new currency notes bearing the imprint of the Treasury were hurriedly printed and put into circulation. Treasury intervention substituted the British government's authority for the Bank's credibility. Without that, the Bank was technically bankrupt and public confidence in it would have evaporated.

Since then, the steady depreciation of sterling, punctuated by occasional devaluations, is too well known to need repeating. Today, no long-term financial plan can possibly ignore the erosive effects of inflation but must provide for a continuing debasement of the currency for years ahead.

So why should inflation be so all-pervasive?

Everyone knows, having been told so ad nauseam, that inflation is a case of "too much money chasing too few goods". Accepting for the moment this simplistic statement, the question no one ever asks, though they should, is "Where does all the excess money come from?"

Everyone knows that high-street stores are only too willing to provide "instant credit"; that personal credit cards have contributed to a mountain of "consumer credit", i.e., personal indebtedness; that building societies have inflated property prices by granting huge mortgages; and that the banks all vie with each other in promoting "personal loans", otherwise debt.

Some people may even appreciate that such "retail credit" can be provided only because there are "wholesalers" to supply the retailers — hence a huge pyramid of banks and authorised credit brokers all making profits by lending out money at interest.

But few, if any, among the borrowers ever understand that what has been lent at such high interest has been created in the first place within the banking system literally out of nothing. So entrenched is the "Deposit Delusion Theory" of banking[1] — the myth that banks can lend out only what their depositors pay in — that even the *Encyclopaedia Britannica's* classic statement that "banks create the means of payment out of nothing" may be received with some incredulity.[2]

Nevertheless, that brings us at once not only to the sources of money supply but also to recognition of the fact that these sources are independent private institutions, free to expand or contract money supply according to money market conditions, and quite regardless of the wider public interest.[3]

So the best the government of the day can do in this situation is the woefully inadequate "one club" policy of imposing high interest rates, which penalise responsible and irresponsible borrowers alike. It is like arbitrarily putting up the price of water to consumers in order to discourage consumption while ignoring that a private cartel has an inexhaustible supply of it for sale.

Such is the dominance illegitimately bestowed on the banking system by the world-wide growth of credit money that no government dare seriously restrict its operations. Even the limited powers formerly used to restrain money supply by means of "special deposits" being compulsorily lodged with the central bank (thereby narrowing the commercial banks' credit base) are now officially regarded as useless in view of the internationalisation of banking and the abolition of exchange controls.

Hence also the argument, now increasingly heard, for the "independence" of the international banking system from any form of governmental control, allegedly as a means of insulating currencies from the supposed profligacy of elected governments. The examples of the Bundesbank in West Germany and of the Federal Reserve Board in U.S.A. are held up as models to be followed.

This argument is plausible, but if accepted, it would prove fatal to any prospect of economic democracy. So long as international finance can dominate the world's economies through the mechanism of debt with all its ruinous consequences — instead of merely servicing them with debt-free credit — to enthrone international bankers as independent overlords unaccountable to anyone would be to consolidate their usurped powers, which, however legally entrenched, are economically iniquitous and morally unjustifiable. It would also deprive elected governments of any possibility of challenging their power.

But if elected governments really cannot be trusted to manage their financial systems efficiently and sensibly, what then is the answer?

It is to relate money supply mathematically to Gross Domestic Product through the agency of an independent National Credit Authority so that it expands or contracts automatically according to growth or decline in the economy. Money would then bear a stable relationship to the prices of goods and services and be rendered immune to inflation or deflation.

In this age of computerisation, it cannot possibly be beyond our powers to control money supply on such a basis. That would not only ensure a stable currency for the man in the street and his wife. It would also free elected governments from their present subservience to an unelected money power.

But where is the political will?

References:

1. "It is commonly supposed that a banker's profit consists in the difference between the interest he pays for the money he borrows and the interest he charges for the money he lends. The fact is that a banker's profit consists exclusively in the profits he can make by creating and issuing credit in excess of the specie he holds in reserve. A bank which issues credit only in exchange for money never made, and can by no possibility make, profits." — H. D. Macleod in "The Theory and Practice of Banking".
2. "Banks lend by creating credit; they create the means of payment out of nothing." — *Encyclopaedia Britannica*, 14th edn., Vol. 15, "Money".
3. "The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one." — Rt. Hon. Reginald McKenna, former Chairman of the Midland Bank and former Chancellor of the Exchequer, in "Post-War Banking Policy".

Printed by Macdonald Lindsay Pindar plc, Edgefield Road, Loanhead, Midlothian