For John Major, tenant of 10 Downing Street, Economic and Monetary Union is knocking at the door. Decisions having far-reaching consequences are in the balance.

The fundamental issues are:— (1) the existing monetary system for which supranational powers and authority are being sought is intrinsically inefficient and fraudulent; (2) enthroning it with “independent” supranational authority will render it immune and unassailable from any challenge by any democratic government or any other quarter concerned to correct its inherent defects.

The basic economic problems in the developed world from which all other economic problems are derived are essentially two-fold.

1. The chronic shortage of consumer purchasing power. The present monetary system is incapable of distributing purchasing power (incomes) at rates commensurate with the prices of goods and services produced for sale. This gap between prices and income gets progressively worse as productivity rises through applied science and technology. The basic problems arising therefrom include unemployment, poverty, economic cycles of boom and recession, massive “consumer credit”, i.e. debt, intense competition for markets at home and abroad resulting in trade blocs and trade wars and leading inevitably to military wars.

2. Money supply and credit creation. The “fractional reserve” system of banking now in general operation (under which banks can and do create and issue credit many times in excess of their reserves) means that virtually all money comes into existence ONLY as debt owed to private banks who create it out of nothing in the first place; claim it as their own; “lend” it out at interest to governments and to public and private borrowers; and demand its eventual repayment. Each nation thus has to “rent” its own money from private moneylenders, perversely designated as “sound finance”. The secondary problems arising from this include worldwide irredeemable debt, the “writing-off” or “forgiveness” of debts, bankruptcies and foreclosures, and the concentration of enormous power in the hands of unelected and unaccountable groups.

This fractional reserve system is not sustainable because of the inevitable and excessive growth of debt and debt interest, surpassing the growth of GDP. It is already threatening to collapse, particularly in the USA. In Europe, the present moves towards EMU are expressly designed to preserve and entrench this defective system and to insulate it from any effective challenge.

1. Prices and Incomes
All incomes are derived directly or indirectly from wages, salaries and dividends (or from redistributive taxation on them). All such payments must be included in and recovered from prices. But prices must also cover the costs of raw materials, investments in premises and plant, depreciations, bank charges, etc.

The rate of flow of incomes can never match the rate of flow of prices over an equivalent period of time.

There are a number of reasons why this is so. A full explanation and mathematical proofs are given in “The Monopoly of Credit”, Ch.IV, by C. H. Douglas. (Bloomfield Books, Sudbury, Suffolk CO10 6TD, £6 post free). By way of illustration, just one of these reasons is given here.

It is standard practice in business for a proportion of profits not to be distributed as dividends but to be retained for investment in further production. In this way, money never distributed as income but accounted into prices is used more than once to generate prices but not at all to generate income concurrently. Taking this to its logical conclusion, in the fully automated factories now coming into production where human labour has been made redundant, the costs of investment in machinery have to be recovered in prices, but wages and salaries representing incomes to workers to pay those prices have virtually disappeared.

Further evidence of the prices/incomes gap is to be found in the dramatic growth of consumer credit. U.K. consumer credit has soared from £4,533 millions in 1978 to £42,086 millions in 1988, nearly a ten-fold increase in ten years. (Annual Abstract of Statistics, 1990) Spending on current consumption by means of credit cards, store cards and the like means that tomorrow’s incomes are being mortgaged at considerable expense in order to meet today’s prices. Why should people do that if they could afford otherwise?

2. Credit Creation
The nation’s real wealth is created through the physical production of goods and services. The symbols by which it is distributed are monetary tokens including coins, notes, cheques, etc. But there is no necessary correlation between the production of wealth (real GDP) and the money supply, which rests entirely in the hands of the banks, as the following quotations demonstrate.
The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits... Every bank loan and every purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one." Rt. Hon. Reginald McKenna, Chairman of the Midland Bank and former Chancellor of the Exchequer, 25 January 1924.

"Banks create credit. It is a mistake to suppose that bank credit is created to any important extent by the payment of money into the banks." Enc. Britannica 14th edn., Vol.3 "Banking and Credit".

"Banks lend by creating credit; they create the means of payment out of nothing." Enc. Britannica 14th edn. Vol.15 "Money".

"It is commonly supposed that a banker's profit consists exclusively 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".

Thus the banks' capacity to create and cancel credit at will has enabled the banking system to usurp control over the nation's money supply so that it rises and falls not in relation to GDP but according to the prevailing conditions in the money markets. Hence inflation, high interest rates, economic recession and political instability.

**POLITICAL IMPERATIVES**

1. Oppose all further moves to reduce Westminster's influence over British economic and financial policies.

2. Challenge the dominance of the banking system and restore to constitutional government the sole right to control the issue of the nation's money in accordance with the production of real wealth so that it retains a stable value and is issued free of debt.

In regard to (1), the European Community's current objectives include the establishment of a single currency and a European Central Bank (ECB). The proposed statutes for the ECB leave no room for doubt as to its intended supremacy over democratically elected national governments. Thus according to The Times of 14 November 1990, they include "provisions that would completely insulate the ECB from national or even supra-national political control, while giving it sweeping powers over the domestic monetary policies of member countries," "members" (of the ECB's governing council) "would have long tenures and would not be subject to recall or replacement by national governments or the European Parliament"; and "central bank governors appointed to the ECB to be politically independent not only in their European capacities but also in their domestic functions".

Substantial constitutional issues are thereby raised. Where would that leave the Chancellor of the Exchequer? Would he not be reduced to the status of a branch bank manager implementing policies decided in Brussels or Frankfurt, over which he has no control? What of his present accountability for economic policies to Westminster? And what of Westminster's to the electorate? Why should the electorate not be asked, not about the technicalities of a common currency, but about whether they are prepared despite all the evidence from Eastern Europe, to surrender government by Westminster for government by more remote control?

**Government Debt and credit creation.**

In regard to (2) above, it is the government's own dependence on borrowed money that needs to be brought out into the open. Public Sector (ie., government) debt in 1988 stood at £203 billions and cost the taxpayer nearly £18 billions in annual interest, about as much as the entire Defence budget and the equivalent of about 10p in the £ of Income Tax. (Annual Abstract of Statistics, 1990).

Like the fiction that banks can only lend out their depositors' money, it is a fiction that Public Sector Debt represents genuine savings by individuals. The bulk of it is held by financial institutions who acquire it simply by writing a draft upon themselves.

"Suppose for example that in a given week the government require £10,000,000 over and above receipts from taxation and loans from the public. They apply for an advance from the Bank of England, which by a book entry places the amount required to the credit of Public Deposits in the same way as any other banker credits the account of a customer when he grants him temporary accommodation." Cunliffe Committee on Currency and Foreign Exchanges, 1918.

"It is sometimes said that the Government 'spend new money into existence', but before it can be spent it has to be created. It is created by the banks by the simple process of taking up Treasury Bills or bonds and crediting the Government account for the corresponding amount." The Times, 30 September 1942.

No sovereign government should have to borrow money from private moneylenders. The following is extracted from "Government Debt and Credit Creation", Research Report No.9, dated December 1981, published by the Economic Research Council.

From Page 1. "We have been led to the following main conclusions:

(1) That the State should create all the currency and credit needed to satisfy the spending power of the Government and the buying power of consumers;

(2) The power of banks to increase the amount of credit money in circulation should revert to the State. Had this been done since 1945, some £35,000 million could have been saved by the Government if they had maintained their historic privilege of themselves issuing all forms of money including credit.

It is right that the banks should be fully recompensed for the valuable services they perform, but if we examine them closely, we would see that this is essentially book-keeping. It is misleading to describe the banks services in financing Government expenditure out of newly created credit money as "lending". The word should not have been used in this connection as it creates a false picture of what really happens. As a result we have allowed private institutions to usurp the right to issue our money and to make very handsome profits thereby. We maintain it would be possible to stop this compounding interest without affecting inflation if the Government extended control of its fiduciary responsibility to all forms of credit creation."

From Page 3. "Abraham Lincoln summed up the principle very succinctly:- 'Government possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by taxation and otherwise, need not and should not borrow capital
at interest as a means of financing Governmental work and
public enterprise. The Government should create, issue and
circulate all the currency and credit needed to satisfy the
spending power of the Government and the buying power of the
consumers. The privilege of creating and issuing money is not
only the supreme prerogative of Government, but it is the
Government's greatest creative opportunity."

From Page 4. "it is apparent that no new (credit) money
ca be created except through the banking system, which issues
it as an interest-bearing debt owed to them by the Nation.
The result of this has been the piling up of an enormous burden
of debt on which succeeding generations of our people will have to
pay huge sums each year in the form of interest and Sinking Fund.

As the banking system in creating this money is merely using
the Nation's credit by liquifying it, the right of the Banks to treat
such created credits as a loan and to receive payment of interest
thereon is unjustifiable, and it is submitted most strongly that
they are not entitled to anything more than an agreed fee based
on the extra work devolving upon them by the handling of these
funds, in a manner similar to that in which the Bank of England
is compensated for the management of the National Debt and
of the Fiduciary Issue."

In brief, money supply should be regulated through a
National Credit Authority in such a way that it bears a
constant relationship to real GDP and thereby maintains a
stable value. Money required for governmental purposes
would then be debt-free and interest-free.

But it is not just the domestic interests of the U.K. which
are at stake. The entire world is in a position of hopeless debt
to the world's banks. The efforts to service the debts of some
Third World countries, sometimes even by the absurdity of
incurring more debt to pay previous debt interest, is
distorting their economies, with untold human suffering and
widespread environmental damage.

At the other extreme, the commercial imperialism of the
trade blocs of Europe, the USA and the Pacific basin has
reached the stage of commercial war pursued by means of
"aggressive promotion" to achieve "market penetration" and
the eventual "capture" of foreign markets, i.e., someone else's.

Unless the over-riding need for fundamental monetary reform is addressed and achieved, global catastrophe is
inevitable.

HAWKE'S SOARING VISION

Prime Minister R. J. Hawke recently revealed a grand vision for Australia on the Federation, climaxing at the turn of
the century and commemorating our first one hundred
years of Constitutional Federation. The ultimate achievement
will be the alteration of the Constitution, a sentiment shared
by many Australians. To reveal his idea of a grand vision at
this time sets a time scale of ten years, during which the
matter will be open to public debate. Extracted from this
"public" debate will be those elements, which may be said to
be for the "good of all", or "in the National Interest".

Let us consider a number of matters which will need to be
examined if the end result is to be in the beneficial interest of
the individual members of this nation and not glibly
accepted on a collective abstract basis.

Periodically, Constitutional conventions are set up by the
Federal Government to investigate what changes, if any, they
consider may be necessary to the Constitution. The most
recent commenced in 1986 ending with the Referendum of
1988. As the Government is the determinant of Policy it is the
choice of the Government to instigate those changes which are
in conformity with their policy. The 1986 enquiry culminated
in the Referendum of 1986 in which the people expressed their
will by voting "NO" on all items placed in the Referendum.

During the course of the Constitutional Commission's
enquiry they released a video for public consumption which
in itself was interesting. Firstly, the very act of providing the
video was no less than an attempt to sway public opinion,
rather than be a reflection of it. Secondly, it was nothing
short of contemptuous for the Constitution, portraying it as
being old-fashioned and out of date. The most insidious part
of the propaganda was the utter disdain for the opening
words of the Constitution, "Whereas the people".

The Constitutional Commission of 1986 was to review the
Constitution by "consulting the people of Australia extensively in the process". The extent of their consultation
may be determined by the defeat of ALL items in the
referendum. In addition, by far the greatest number of
submissions received by the Commission dealt with the
introduction into the Constitution of the concept of
Initiative and Referendum. This was not included in the
defeated Referendum of 1986.

Certain individuals argue that a Referendum produces a
negative result because the people "always" vote NO. This is not
only incorrect, but deliberately misses the point that it
expresses the WILL of the people, irrespective of rights and
wrongs, and it is indicative of the desire of the people to be
wary of centralising power. Because of the natural desire of
the people of Australia over the last ninety years to refuse to
give more power to Canberra, there is likely to be a more
subtle approach to those POLICY MAKERS who wish to
ensure their policies are capable of being implemented.

Hence, The Grand Vision.

There will be discussions relating to duplication and
overlapping of responsibilities between Local, State and
Federal authorities and many of these arguments will have a
valid basis but, who will make the final decision, and
between whom will the agreements be reached, and what
propaganda will the people be subjected to over the coming
ten years? For those of us who understand the Act(s) of
Government, and the reluctance of current politicians to
terminate the idea of initiative and referendum emanating
from the people instead of Government, it would be wise to
ponder on the ultimate objective of the Grand Vision, and
WHOSE Grand Vision is being presented.

True Social Crediters have a Grand vision, not a Utopian
dream, and we know what treatment that has received. In
fact, we have seen the development over the years of the very
antithesis to the idea of economic security and freedom to
the individual. The "plan" for the United States of Europe is
moving with that momentum that Douglas spoke of in The
Fig Tree, September, 1936. It is just as applicable in 1990.

"Political propaganda has reached dimensions previ-
ously unknown, by means of syndicated newspapers,
broadcasting, motion pictures, and so forth, whilst the
submission of large populations to a uniform economic
system based upon finance . . . has generated mass
emotion on a scale which is reflected in the wars and
revolutions contemporaneous with it" . . . "With the
magnitude of modern social forces, it is not much use
applying the brake if the vehicle is still hell-bent to
destruction on full throttle. The forces which make for
destruction in the world today are more powerful than they
were twenty-five years ago, and there seems to be little more
prospect that their direction will be diverted".

The quotation is from an article which raised a point of
great significance. That is the "EFFECTIVE" policy (the
objective which will more or less inevitably be reached) is at
variance with the real policy of the majority of persons
associating to produce it.

V. J. Bridger
THE KINGDOM WITHIN

The advent of a new Archbishop of Canterbury makes it timely for us to utter a call to the Church to assert once and for all the supremacy of God over Mammon in our constitutional life. We have, of course, been quietly doing this for years, circulating members of the clergy with THE SOCIAL CREDITER for years by donation. We have not noticed any significant change but a word in season now may change all that.

We are aware that an approach has been made to the new Archbishop on Social Credit principles and he has expressed himself in writing as both interested and determined to pursue its study. Perhaps never since Archbishop William Temple have the higher echelons of the church been prepared to work out so seriously the tenets of the Kingdom of God.

For years, various commentators have sought to reach believers with the message that the Gospels are not to be treated pietistically but realistically. They have pointed out that most of Jesus’ parables are based on economic situations and the Kingdom of God, He said, was to be found within. This emphasises the justification of Social Credit. For us, as for Jesus, the sovereignty of the individual before the face of God is paramount.

As Norman F. Webb put it in The Social Crediter of September 14, 1946:

"... it is highly probable that it was that searching and incontrovertible statement of individual sovereignty, more than anything else, that decided the then leaders of Jewry to attempt the destruction once and for all of Truth.

Further on, he observed:

"In this year of somewhat equivocal grace, the Christian finds himself in the unfortunate position of opposing the apparently unanswerable and overwhelming forces of dialectical materialism - a thesis built up on a flat denial of the Incarnation and all it means - with what can only be called dialectical spiritualism, which is 'faith without works', without any substance behind it, or 'signs following'."

"The true role of the Christian" he said "is conservative. As such, he is not called on to exercise any activity towards, or against, the Jew, or anybody else, but as it were with a sort of positive inactivity to preserve and follow his own inner Christian conviction, the basis of his sovereign integrity, against collective pressure. This can only be achieved by a more or less constant demonstration in, and to himself, of, its incarnate reality. In other words, he demands - and must have - satisfactory results of some kind in order to keep his Christian faith; that is, his belief in the practical efficacy of Truth; warm and active. The surest way to defeat him is to deflect from him the expected fruits of his natural activity, both material and spiritual."

While not denigrating evangelism, Webb advocated:

"... a return to factuality in an unbiased re-consideration of the historic Christian facts - all that is required beyond an honest intention to accept one's own judgement for or against the truth of the recorded facts of the origin of Christianity and their historic authenticity, is the determination to act rationally in accordance with the verdict."

While mainstream churches are today seeking to be organisationally integrated although doctrinally irreconcilable, they are concentrating upon fudged creed, ritual and surface witness. They have not sought to provide an essentially pragmatic critique of mankind's condition nor to give a verifiable reason for the hope that is in them. They have accepted the diminution and disappearance of their own powers and of their nation's powers - they have ceded their responsibilities and surrendered their constituencies to the ethos of an intrinsically evil financial system. In the case of Europe, the churches see political and economic manipulation as a God-given means for peoples to have glorious communion. And they await in eager anticipation for one of their number, the Pope, to be called to the supreme seat of secular authority. He himself - the incumbent of the See of Rome - is preparing for just such a call. It does not take a Protestant or a cynic to question this scenario - but it does take a Christian to withstand it.

I. McG

RECOMMENDED READING

Benson, Ivor This Age of Conflict.
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 1935 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.

- 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.

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