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THE CLASH OF SYMBOLS

On "Black Wednesday" – 17th September 1992 – the British government, within six months of re-election, abandoned its fundamental economic policy. This had been vigorously defended, at enormous cost to the national reserves, right up to the last. Then membership of the Exchange Rate Mechanism abruptly ceased. The subsequent devaluation of the £ sterling by about 14% – a humiliating defeat – jeopardised the future of the Chancellor of the Exchequer, and even of the Prime Minister, the policy's erstwhile guardian.

So what *force majeur* could effect such momentous change?

The prosaic short answer is: the international currency markets. Led by Germany, they collectively decided the £ sterling was not worth its quoted value in the ERM. Currencies bought and sold worldwide mean billions a day are switched across national frontiers by electronic transfer, as seen on TV. International traders finance importing and exporting, foreign travel and the management of foreign investments. There are also the "speculators" seeking a quick profit as with any 'commodity' whose value is determined by supply and demand.

However, money is not just another commodity. It is the life blood on which we all depend for our economic survival. And yet it is lifeless.

The £, the $, the DM, the French and Swiss francs and all the others are no more than symbols. They symbolise what they will buy in the way of goods and services in their own country, and thus give an indication of the strength or weakness of their domestic economies. The DM is strong because the German economy is strong. The £ is weak because the British economy is weak. Though true, neither of those simplistic statements can be taken at their face value. That is because there is no necessary or fixed relationship between the supply of symbols and the supply of the goods and services they purport to represent. Money supply, – i.e., of the symbols – varies according to the action of the commercial banks in each country in increasing or decreasing the volume of credit they create. The supply of goods and services is also a variable, depending mainly on consumer demand, which determines whether economies boom or bust. So the relationship between the two variables is regulated within broad limits by the central banks through the mechanism of interest rates going up to restrain demand for credit and down to stimulate it.

The Exchange Rate Mechanism was designed to minimise fluctuations in exchange rates. The currencies of the European Community were aligned within prescribed limits; a narrow band for some, a broad band for others.

For Britain, membership of the ERM has entailed a policy to restrain inflation. This has had a disastrous effect on the economy, to the extent that the symbol of the £ sterling has lost credibility in the eyes of the currency markets – hence the forced exit from the ERM, the devaluation of the £, and the humiliation of the government.

HERE IS A CLEAR DEMONSTRATION OF THE POWER OF MONEY AND THE MONEY MERCHANTS OVER ELECTED GOVERNMENTS. Here is a total condemnation of the whole system of private credit creation and money management. Millions of British people have been reduced to appalling statistics of unemployed, homeless, bankrupt and destitute – all for the sake of a monetary system which has no basis in physical reality, but only in a fragile 'confidence'.

But what is the alternative?

As usual, we can find the answer in C. H. Douglas.

"Credit issue and price making are the positive and negative aspects of the same thing, and we can control the economic situation by controlling both of them, not one at a time but both together. **In order to do this, it is necessary to transfer the basis of the credit system entirely away from currency, where it now rests, to useful productive capacity.** The issue of credit instruments will not then result in the expansion of money for the same or a diminishing amount of goods, which is inflation, but in an expansion of goods for the same or a diminishing amount of money, which is deflation."

Putting that crucial principle into effect requires that credit creation be related directly to "useful productive capacity". Britain has no shortage of that. On the contrary, manufacturing industry is operating well below its capacity. Skilled and unskilled men and women are unemployed, though only too anxious to work. Farming has such excess productive capacity that land is set aside to lie fallow. The construction industry is at its lowest ebb for years while necessary developments in the physical infrastructure like housing, roads and sewers are deferred for purely financial reasons.

All that is required is a National Credit Authority under the Crown, charged with the responsibility and the powers to regulate credit in accordance with national productive capacity. In other words, the supply of symbols would be tied to the supply of goods and services. Technological advances in productivity would then not only ensure a "sufficiency in freedom" for everyone (which is already physically possible) but a steady increase in the value of domestic currency.

Its basis would then be real, stable and permanent.

CREDO

In a world of PLENTY, there is no need for POVERTY and DEBT. We have the technology to feed, house and clothe all people on EARTH without destroying our environment. Whatever is physically possible and socially desirable can be made financially possible. This is EVERYONE'S CONCERN and it is URGENT.

The current world-wide "recession" repeats in all fundamentals the features of the "depression" of the 1930s. In contrast to the orthodox commentaries on it carried by the media, it is timely to reprint this penetrating analysis by Major C. H. Douglas, first published in 1932. (Editor, T.S.C.):

RECONST

By C. H Do

THE MONOPOLY OF CREDIT

To realise the nature of the powers conferred upon the holders of the monopoly of credit is to realise at once that, human nature being what it is, any suggestion designed to release the man in the street from the power of this monopoly is certain to be actively, if not openly, resisted. The monopoly is in itself so indefensible, however, on the grounds of reason or equity that a realisation of its nature is quite sufficient to induce the banker (who in many cases is a thoroughly well-meaning member of society) to admit in private that it cannot continue.

Types of Criticism

The criticism to which schemes designed to effect the socialisation of credit (by which is meant its distribution to individuals as distinct from its monopoly by bankers) are subjected can in general be separated into three classes. The first type is anonymous, frequently disingenuous, and, in the main, relies upon an attempt to make the subject ridiculous rather than an appeal to reason. From its nature, and probable origin, there is not very much to be said about it.

The second type of criticism arises in the main from a complete or partial failure to understand the existing financial system, and a quite natural tendency to disbelieve that the extraordinary state of affairs which does, in fact, exist has not been exaggerated by its critics. An exhortation to further study seems to be the only reply to this class of objector.

The third type of criticism is in general based on a failure to appreciate the physical possibilities of the modern economic system as distinct from its financial features. Related to this latter class are most of the serious criticisms which have been advanced against the Scottish scheme of reconstruction. One correspondent based his criticism on a suggestion that the Scottish capital account could not be properly constructed so that a 1 per cent. dividend upon it would provide the national dividend mentioned in that scheme.

Capital Values

Now, I confess that the first clause of that scheme was specifically drafted to induce exactly that criticism. There are many ways of arriving at capital values, and fundamentally there is very little doubt that the correct method of arriving at the capital value of any property is not so much what it cost to produce as the increased production which results from it. We are accustomed to measure production in monetary values, but if the dependence of monetary values upon monetary policy is understood, there is no difficulty in grasping how illusive is such a method.

If I have a shipbuilding plant which cost one million pounds to build, and it is making a loss of £100,000 per annum, I may value the plant at one million pounds, but it is certain that nobody else will. On the other hand, if by a change in monetary policy consequent, let us say, on the outbreak of another war, I am able to make an annual profit of £200,000 per annum instead of a loss of £100,000, it is quite possible that numbers of people will agree that my plant is now worth two million pounds.

Now, the figures of the value of real assets are consistently written down as a result of the operation of a number of factors, none of which are realistic and all of which are financial. In the first place, rating values are based not on what a property cost but on what it will let for, the owner doing the repairs. Further, at the instance of banks and insurance companies, there is a tendency to depress capital values of real assets so as to increase the amount of collateral security which has to be provided by an applicant for mortgage, which is another way of saying that the maximum amount of property passes into the hands of the financial system if or when the mortgage is foreclosed. Much the same forces are at work to ensure that real property and plant is held on the books of financial organisations or even big industrial concerns at figures much below its real value for productive purposes. It is probable, to take one instance only, that the buildings belonging to the five great groups of banks and their associated insurance companies are shown upon the books of those institutions at not more than one-tenth of their value.

So that in estimating the capital values of the assets of, let us say, Scotland, there are two main ideas to be borne in mind. In the first place, these values have been consistently written down for reasons which are not physical but are financial. And in the second place, their earning power is conditioned not by their physical utility but by financial policy, which again produces an illusion of diminished assets.

Simple Question

So that we really come back to the problem of giving an answer to a very simple question. Suppose we give, as an initial step, the additional income mentioned in the Scottish scheme to all the families entitled to receive it, and suppose that they spend it in buying goods at the reduced prices which would be provided for everyone by that scheme, could those goods be produced? I have no doubt whatever that they could and, if space allowed, I do not think I should have very much difficulty in proving that statement conclusively.

But what is quite indisputable, I think, by everyone is that more goods could be produced than are at the present time. Is there any sane person who does not want to produce more goods than are produced now? Certainly it is not the farmer nor the manufacturer, always supposing they can get remunerative prices. Certainly it is not the large bodies of unemployed who, if we believe what they themselves say, are anxious and willing to return to work on any reasonable terms. Certainly it is not the large landowner, whose land by means of penal taxation is being appropriated, not for the profit of the man in the street, but for the benefit of financial institutions who are coming into possession of all those parts of it which are valuable enough to sustain a mortgage.

Only One Cure

With the best will in the world to find a more complicated explanation of an extremely complicated world situation, I find it impossible to arrive at any conclusion other than that I endeavoured to put before my kindly Scots audience at St

RUCTION

g (contd.)

Andrew's Hall. That is that the main cause of the world's economic difficulties at the present time is the same in every country, and may be found in the annexation and unjustifiable claim to the monopoly of public credit by financial institutions. And fundamentally there can only be one cure for this situation – to place that credit at the disposal of those from whom it arises – that collection of individuals which we agree to call "the public".

EDITORIAL NOTE: The "Draft Social Credit Scheme for Scotland" referred to in the text of "Reconstruction" was drafted as a model appropriate to the circumstances of the time, i.e., the late 1920's. It is reproduced as an Appendix to "Social Credit" (ISBN: 0-920392-26-1), available from Blomfield Books, 26 Meadow Lane, Sudbury, Suffolk CO10 6TD.

FROM "THE SCOTSMAN"

CRISIS IS A REFLECTION OF THE WORLD ECONOMIC SYSTEM

Sir, In the turmoil of the current economic climate, the search for "scapegoats" continues apace. Opposition parties scent the prospect of political advantage and move from the luckless Norman Lamont to identify John Major as the "prime target for blame". The Government, meanwhile, accuses the "rotter" of the Bundesbank for ungentlemanly conduct.

In fact this crisis, like that of the 1930s and the ones to come, is actually the inevitable reflection of the international economic system. Three major characteristics will be sufficient to demonstrate this:

1. The international system has been developed to ensure that the creation of credit (i.e. the bulk of today's money) is a private monopoly of bankers. This credit is created by the stroke of a banker's pen out of nothing and all of us are charged interest for its use before it eventually returns to the banks for cancellation.

Since credit is the lifeblood of the modern economy it is international bankers – not politicians – who control the economic system and it is they who should be held to account for its manifest failure.

2. The system requires that all costs go into prices so that prices to consumers can never be below cost. The economist and costing engineer, C. H. Douglas, has shown how this, in combination with the circumstances noted above, make it impossible to eradicate inflation, and all the difficulties that flow from it, from the system.

3. Purchasing power is overwhelmingly distributed via wages and salaries for work done, but wages, salaries and dividends cannot in the current system, ever be enough to purchase the product of the economy in a given time period. The result is gathering surpluses that can be eliminated only by mortgaging the future via the expansion of current debt and in due course by the inevitable process of "deflation", leading to bankruptcies, forced sales below cost, waste or war.

This condition is exacerbated greatly by unemployment and, since unemployment is set to continue to rise inexorably as the communications and robot revolutions accelerate, future crises will recur with increased frequency and severity.

To begin to resolve the problems of the economic system, therefore, we must first reform the money system by returning control of credit creation to the community through government. Subsequent attention can then be paid to a resolution of the other problems touched on above.

Alan Armstrong

BANKING MYTH

Sir,– You are to be congratulated on publishing Alan Armstong's letter (Points of View, 26 September). It will help to dispel the popular myth that banks can only lend out their depositor's money.

One of the worst absurdities of the present system is that governments themselves are dependent on bank-created credit. On that, the Economic Research Council, in its research report of 1981, had this to say:

"It is right that the banks should be fully recompensed for the valuable services they perform, but if we examine these more 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 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.

"As the banking system, in creating this money, is merely using the nation's credit by liquefying it, the right of the banks to treat such created credits as a loan and to receive payment of interest thereon is unjustifiable ... they are not entitled to anything more than an agreed fee based on extra work...."

Interest on the national debt resulting from he present system costs taxpayers each year nearly as much as defence or the NHS. If that were largely eliminated, as it could be, what a boost to the flagging economy that would be!

We had better get the money system reformed before it is consolidated into Jacques Delor's proposed European central bank, which threatens to be both all-powerful and wholly unaccountable. Or else we will be trapped for ever in irredeemable debt.

Donald Neale

WHERE IS OUR FAITH?

At a time when institutions both religious and secular have lost credibility, we must ask "Why this descent into chaos and dis-belief?"

We may look first at the reasons for society existing and beliefs that hold it together. That is, the mutual attraction by which the elements of a body cohere.

The first lecture in *Elements of Social Credit*, written by the late Dr Tudor Jones when Deputy Chairman of the Secretariat, defined Social Credit as:–

> **"The power of human beings in association to produce the results intended when measured in terms of their satisfaction."**
>
> **He then posed the question, Do human beings have such a power? If they have no such power, Social Credit does not exist: if they have, it does.**

If that is correct, then something somewhere has gone astray. The association of human beings has been perverted from producing the results expected by the individuals in each group to accrue from their association to something altogether different. The physical product of their association is no longer available as, when and where it is required. It has been exported to achieve a favourable balance of trade. Instead, goods are produced in other countries, not always known, leaving the producers/consumers confused as to whether their labours can produce the results they expected. The "increment of association" is no longer evident. There is thus a loss of faith.

What is this "Faith"? Does a lack of it have any bearing on our present state of confusion, resentment, and general feeling of betrayal?

"Credit (from "credo", I believe) is, according to St. Paul, the substance of things hoped for, the **evidence** of things not seen.

No stable society can endure on false **evidence.**

Thus, unless society *per se* is available to supply its individual members with the results they expect to flow from their membership, then the essential basis for their faith has been negated. Their 'social credit' has been undermined. Just as every action has an equal, opposite and automatic reaction, so do discontent and frustration increase and eventually give rise to a violent reaction to relieve tension. In an effort to alleviate this state of potential disintegration within societies, governments have resorted to providing work of any nature (the dissipating of energy) in the hope that the problems will disappear; but it never does. *You cannot supply a material answer to a metaphysical problem and expect a satisfactory result.*

Many of our problems appear to derive from the perversion of a Christian faith which for centuries guarded the affairs of men from the tyranny of power-lusting rulers. Imperfect as it may have been in practice, it still restrained and modified the influence of absolute power. But no longer.

Influenced by socialist-trained clerics, a doctrine of humanism has replaced a belief in the Trinity. The provision of social services as agents of government has become more important than teaching the message of the Gospels of the New Testament. The churches now proudly proclaim *Judeo*-Christianity as their faith. How Judaism, with its system of rewards for the chosen and disdain for others combined with an intricate set of rules of behaviour, can be reconciled with a gospel of forgiveness and of responsibility for one's own acts, beggars the mind.

Surely all Christian churches must explain and proclaim the substance and evidence of their faith, and then relate those teachings to the problems in society they so rightly deplore.

E. Lloyd Wood

THE TROUBLE WITH ECONOMISTS

The trouble with economists (one of the troubles anyway) is that most of us have AIDS.

We caught AIDS (Acquired Insight Deficiency Syndrome) from our teachers, who caught it from their teachers in an "infinite regress". There is no known cure. AIDS is inevitably fatal to original thought.

By the well understood ZEN principle, a full cup can hold no more. Until one is willing to empty his/her cup no one can pour more into it. Until one is willing to admit that he/she does not know, he/she cannot be taught. By the time we have a Ph.D. in economics, we are so full of untruths and half truths that simple, obvious truths which our teachers did not know, or kept to themselves if they did know, cannot penetrate our defence mechanisms.

The great Count Tolstoy explained AIDS – which causes the persistence of errors – as follows:

"I know that most men, including those at ease with problems of the greatest complexity, can seldom accept even the simplest and most obvious truth if it be such as would oblige them to admit the falsity of conclusions which they have delighted in explaining to colleagues, which they have proudly taught to others, and which they have woven, thread by thread, into the fabric of their lives."

John H. Hotson

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ADDITIONAL COPIES of THE SOCIAL CREDITER and back numbers are available from the above address.

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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.
Eringer, R.	The Global Manipulators.
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.

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