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MONEY – THE ROOT OF ALL EVIL?

"This is the way Jesus and Marx come together; they're both saying that greed will leach out every other human value, that money is indeed the source of all evil."
(Norman Mailer in *The Gospel according to the Son*)

Whilst, as in Paul's day, the love of money may still be at the root of all evil, money itself is one of the greatest of inventions. It makes possible the efficient production and international exchange of goods and services, and brings benefits on such a scale that it is almost impossible to imagine a modern society operating without the use of money or some close substitute.

Yet it is not surprising that it has for so long been thought of as the root of all evil. For although the **functions** of money might have brought great benefits, the **system** by which money is periodically created and cancelled out of existence, has brought only increasing socio-economic havoc and the threat of imminent collapse to international societies and to the human life support system itself.

It does so, because by its nature it induces endemic inflation, environmental stress from its insatiable drive for exponential economic growth and an unstoppable escalation in the indebtedness of every sector of modern society - national and local governments, business and consumers.

The link between the current debt-money system and inflation and debt were touched on briefly in the last issue of *The Social Crediter* (Vol. 76, No. 5). It is even more graphically illustrated in the following article by the late John Hotson who was Professor of Economics at Waterloo University in Ontario and Chief Executive of the increasingly influential Committee on Monetary and Economic Reform (COMER) in Canada.

Although Hotson illustrates the impact of the debt-money system on the Canadian economy in the post World War II years, an analysis of any modern economy over the same period would provide a similar picture. His article is extracted and updated from "Interesting Sin," *Policy Options Politiques*, Vol. 5, No. 2, March/April 1984, pp. 36-38, published by the Institute for Research on Public Policy (Canada).

Doesn't God understand economics?

by John Hotson

inside this issue

Interest push is a prime cause of inflation; our policy direction should be towards an interest-free and therefore more equitable world.

Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury. (Deuteronomy 23:19)

The rich ruleth over the poor, and the borrower is servant to the lender. (Proverbs 22:7)

Why is the Bible so down on the charging of interest (usury)? Why did Moses and the prophets of ancient Israel - men who felt empowered to write, "Thus saith The Lord" - forbid the taking of interest, considering it so great a crime as to be worthy of death?

Why did the Catholic Church for more than 1,000 years forbid interest taking, declaring usurers unworthy of receiving Christian Communion or Christian burial after death? ...

Why too has "modern" opinion changed? Economists write long books on how bankers create the money they lend us "out of nothing," without the slightest hint of tongue clucking or denunciation.

Indeed, most economists could hardly imagine a world without a positive rate of interest. How could we discount future income flows to "present values" without an interest rate?

But how did this great transformation in the opinion come about? Did God change His mind?

As one who is not well versed in

theology or moral philosophy, I hesitate to go too far into the questions of the morality of interest taking. However, as an economist ... on grounds of practical workability and, yes, morality, I believe I can show **why** Moses, the prophets and the fathers of the Church were wholly correct to condemn the charging of any interest. I believe I can also show why, with the rise of Protestantism and Capitalism, some relaxation of this condemnation was supportable. I also believe that I can show why in the long run Moses, the prophets and the fathers, are right and the "moderns" are wrong.

Interest on loans introduces an exponential element of limitless growth into a finite economic and social system. The result is always increasing injustice and eventual breakdown. There is nothing more powerful than compound interest (exponential growth) if it has lots of time to work.

To illustrate, suppose one cent had been borrowed at 1% compound interest in the year zero (at the birth of Jesus Christ). Picture Mary and Joseph as being able to save one cent from the gift of the Magi if you will. Supposing they could find a bank that could stay in business for 1,991 years and would accept such a long-term deposit, how much would be owed in the year 1991?

We may answer by using the doubling time formula, the so called "rule of 70";

2T = 70/i, where 2T is the number of time periods it takes for anything (T, thus money, population, prices) growing at the percentage rate i, to double. If i is 1% per year, the doubling time is 70 years; if i is 2%, the doubling time is 35 years; if i is 20%, the doubling time is only 3.5 years.

Let us use the "rule of 70" to calculate the Christ Child's savings account balance in 1991. At 1% interest, Jesus' cent doubles 1991/70 = 28.44 times to $4,016,568, (or about 4×10^6 in scientific notation) and would be increasing $110 a day.

Suppose instead that our hypothetical bank was willing to pay a more attractive 6% interest on the Christ Child's savings account. How much money would be owed on one cent at 6% in 1991? (Test your intuition here: How much larger do you think the answer will be? Will it be six times larger, or about $24 million? Or will it be larger? About how much larger?)

Using our formula, we have 70/6 = 11.67; 1991/11.67 = 170.61 doublings or 2.2645×10^{48}. This is an almost unimaginably huge amount of money, $2 followed by 48 zeros!

The reasons our modern economy of legalized usury works at all have to do with such facts as the following: no one lives long enough to leave money in the bank for many years; lenders spend their interest rather than merely compounding it; banks fail and borrowers repudiate their debts through bankruptcy or by raising the prices of the things they sell (inflation), thus partially repudiating their debts; and finally, in recent centuries per capita real income has also been growing exponentially.

Let us examine this last point carefully. Luigi Pasinetti has recently shown that the only sustainable or "natural" rate of interest is the rate of growth of the productivity of labour. If the "market" rate of interest exceeds the natural rate the share of the rentier will grow and the share of labour (and by extension of Pasinetti's model, the entrepreneur) will shrink.

If, on the other hand, the market rate falls below the natural rate the money lenders' share of total income falls, at least if we assume that total indebtedness is growing no faster than total income.

Pasinetti demonstrated his conclusion only for a "model" world of a pure labour economy. However, if we extend his argument to a world of money and prices we can see why John Maynard Keynes, unlike his "Keynesian" disciples, put such great emphasis on the need to drive down the rate of interest if we are to avoid cyclical instability and secular unemployment.

The "natural" rate of interest in an economy is the rate of growth in "total factor productivity," that is, real output per head. Only in recent centuries has this been a significant, though small, positive number. Throughout the long centuries when the Bible was being written and the "middle ages," productivity gains were virtually zero. Thus the "natural" rate was also zero, so the Bible was on this point "scientifically" correct!

How do we know? By the same arithmetic we used above for the Christ Child's supposed cent. If per capita income in A.D. 1 was $100 (which is probably not far wide of the mark) and it grew only one percent a year we would all have a per capita income in 1991 of $40 billion ($4 \times 10^{10}$), or far more than the total wealth of the richest human being - or indeed of many countries.

No such incomes are available to us, of course, because only in the 19th century had the industrial revolution proceeded far enough in a few countries for per capita real output to rise as much as 1% a year sustainably. Only in the present century did the pace quicken to 2 or more percent per annum, thus doubling real income in 35 years or less. In the 1960s and 1970s, Japan and Singapore have been able to raise "productivity" by as much as 7% a year - which is thus also the world's highest "natural" rate of interest. However, money lenders have seldom been satisfied with even 7%; much less are they willing to receive only 2% or 1%. Thus the market rate of interest has a chronic tendency to rise above the natural rate.

What happens when the market rate of interest exceeds the natural rate? This depends upon other social arrangements. In the "good old days" of metallic money it quickly became impossible for debtors to repay; all they could do was sink deeper into debt as they mortgaged first their land, then their animals, then their wives and children and finally the debtor himself was sold into slavery.

In a world of metal money and zero productivity gains the exaction of any positive market rate of interest had one inevitable result: a society of a few rich money-lending landlords with every one else their serfs and slaves.

Such a result was the downfall of the Graeco-Roman, and other ancient civilisations. To avoid this result ancient Israel had the year of Jubilee: every fiftieth year all debts were cancelled, all slaves set free, and all land returned to its original owners. (See Leviticus 5:9-14)

Ever since World War II, total debts public and private have increased even faster than money GDP and interest rates have increased fourfold. As a result, interest income has increased far faster than any other form of income and has thus been the most inflationary type of income distributed.

By 1988 Canadian money GDP had increased to $598,732 million, from a mere $13,473 million in 1947, or 43.4 times the 1947 level. However, real, or constant dollar, GDP had increased only 4.6 times over the same period.

Inflation is often blamed on "wage push," and it is true that total wages in Canada increased to roughly 46 times their 1947 level, or somewhat faster than money GDP. Corporate profits rose 34 times from 1947 to 1988, or too fast for price stability but too slow to maintain the "corporate profit share," which fell from 13.8% of GDP in 1947 to 10.8% in 1988.

Unincorporated business did far more poorly: non-farm unincorporated business rose only 21.3 times, so that the small business share fell from 11.2% to 5.6% of GDP. Farm income increased only 3.7 times, slower even than the increase in real GDP, so that farm income plummeted from 8.2% of GDP to 0.9% of GDP.

Interest on private debts plus dividends rose from $194 million in 1947 to $45,784 million in 1988, or 235 times; so that interest and miscellaneous income rose from 1.4% of GDP in 1947 to 7.6% in 1988. Another way of putting things is as follows: in 1947 interest and dividend recipients received only 17.6% as much income as did farmers. In 1988 "rentiers" received almost nine times as much income from the private sector as did farmers.

Moreover it was interest, not dividends, that had increased most rapidly. Thus, from 1972 to 1988, interest increased roughly three times as rapidly as did dividends. In addition to this explosive rise in private debt interest, interest on public debts in Canada grew from $559 million to $50,506 million, or by 90 times.

In light of the above facts it is indeed strange that the government and the Bank of Canada have tried to stop inflation by raising interest rates! Not only is this policy unjust, in that it raises the incomes of the relatively well-to-do who lend money (and own banks) faster than it does the incomes of ordinary citizens who borrow money; it is irrational, as it adds to the costs of every business, and it adds greatly to the government's own interest payments and deficits. Indeed, in recent years the government deficit and interest on the national debt have been of roughly the same magnitude. This is perhaps the greatest irrationality of all, for if the government would take money-creation back into its own hands, a subject to be explored elsewhere, it could quickly pay off the national debt while greatly lowering taxes.

A government policy and financial system that results in money GDP increasing by twice the **square** of the increase in real GDP, total debts increasing even faster, and interest income increasing by more than twice the **cube** of the rate of increase of real GDP can only result in accelerating inflation and eventual breakdown through over-indebtedness.

So it was with the prophets of old who knew what they were talking about, not the moderns; or, in summary: exponential growth of interest income at a higher rate than real income can grow, leads to accelerating inflation and economic breakdown. If that's not sin, what is?

WORLD GOVERNMENT: THE VISION AND THE REALITY

As we mark the anniversary of A. R. Orage with a special supplement it is also timely to reproduce in the main body of *The Social Crediter* this article written by him which appeared in *The New English Weekly* in 1933 and then consider whether the same objective is being pursued today.

1933

Modestly confessing that he has "little or no organizing power" and is "deficient in most of the qualities of a leader of men", Mr. H. G. Wells nevertheless puts forward a conception of world government which would require the organizing ability and leadership of a caste of archangels to carry into effect. Apart, however, from the compensatorily megalomaniac character of the plan itself - which incidentally is surprisingly similar to that of the apocryphal Protocols of the Elders of Zion - the central assumption of Mr. Wells's dream is the denial of the natural fact of nationality. To Mr. Wells and his very considerable following and company, the existence of nations is a deplorable fact of history but not an acceptable fact of nature. Nations are, but hadn't oughter be. Hence the proposed Society, which he calls X, that is to undertake the ordering of the world, must declare itself "in absolute opposition to the continued existence of separate sovereign governments in the world", and, of course, to this end, aim at creating a single centralized world banking organization and a world money. There can be no doubt whatever that Mr. Wells's support of a world dictatorship is based upon a strong appeal to the cosmopolitan group of financial "Samurai" now intriguing for the world's throne; but if, as we believe in common with ordinary humanity, nationality is as natural a fact as individuality and one of the essential characteristics of the species Man, then not all the efforts of all the would-be dictators of the world will be able to eradicate it or even suspend its action for more than very brief and bloody periods. We are not so chauvinist as to deny the attraction of the idea of a World Society of Nations, even, if it be possible, of a World Commonwealth of Nations. The emergence, hesitating and amorphous as it is, of a British Commonwealth from the shell of a British Empire, is perhaps a shadow of a possible future. But the difference between a world of nations in intelligent and voluntary co-operation and a world of functional groupings subservient to a Super-State composed of self-selected, all-powerful neurotics, is exactly the difference between a harmonious society of free individuals and a society based on slavery and sanctioned by force. Fortunately for the world, however, both individuality and nationality are constants in the essence of the human race. They may both, and they both do, involve

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troubles of various kinds; but, in the long run, objective progress is conditioned by their acceptance and conscious use.

A central Bank, such as the Bank of England here or the Federal Reserve Bank in America, by virtue of its monopoly of the manufacture of Financial Credit, exercises a super-sovereignty over the lives of the citizens within its jurisdiction that extends to the minutest monetary transactions between them. It is the literal fact that, except by barter, no exchange of goods and services can take place between subjects of the same credit-area without the permission of and under the conditions laid down by the super-sovereignty of the Financial authority. Extend this authority to a Central World Bank and it will be seen that whole nations now become subjects of a super-sovereign authority, the rigour of whose legislation, strictly in its own interests, will be unmitigated even by the kinship now more or less actual between "national" Banks and their clients. A world-dictatorship exercised by a World Bank in control of every "national" Bank would not be a mere phrase. On the larger scale implied, the status of every "national" Bank would be reduced, relatively to the central World Bank, to that of any one of the English Joint Stock Banks relatively to the Bank of England. The Bank of England, the American Federal Reserve, the Bank of France, and so on, would, in fact, become, relatively to the central World Bank, scarcely more than a branch, a branch of which, needless to say, the national citizens would be less than twigs or even leaves. Is this the picture of the future that America or any other community of people wishes to paint into actuality?

The situation is really simple. No nation today is in such control of its own Money system that its Government can govern without recourse to Moneylenders. Resulting from the fact that Money is also an international as well as a domestic commodity, the Moneylenders are in a position to regulate international no less than national affairs. Nations, or, rather, the Governments of nations, are their clients in exactly the same way that individuals may be. And exactly as the individual borrower becomes the concern of his Money-lender and, in the final phase, his working pawn, so every State tends to become an unlimited liability company, guaranteed by its citizens, with the Moneylenders as the beneficiaries. Calling Moneylenders Central Banks and their association a World Bank does not change their spots.

Mr. Montagu Norman is right in regarding himself as a visionary, but it must be added that as a visionary he is one of the most dangerous that ever lived. In his megalomaniac dreams he sees the world controlled by a Central Bank, housed in a fortress proudly claimed to be built to endure for a thousand years, and administered by a system of financial blockhouses placed at strategic centres over the whole surface of the planet. With a world-monopoly directed from London of the financial medium of all economic and political life, the Governor of the Bank of England and his agents could, as he believes, guarantee the peace and, in his own peculiar definition no doubt, the prosperity of the world forever. But exactly like all such "altruistic" visionaries, Lenin not excepted, Mr. Montagu Norman appears never to have asked himself what are the conditions of the gratification of his megalomania. Perhaps like Napoleon he would ask what a few million lives are in comparison with his ambition, or, like the harmless visionary Nietzsche, claim that a good fight justifies any cause. But the brute facts of the case are, in the first place, that if he is permitted to pursue his policy, this nation is committed to an epoch of world-wars of which the last was only an affair of outposts; and, in the second place, that even if, in the long run, his policy should succeed, it would be only to make a desolation of the world in the name of peace. Mr. Montagu Norman looks with satisfaction on the record of six new Central Banks created within the nine years concluding in 1934 and all affiliated with the Bank of England. But surely he is not such a visionary as to persuade himself that the rest of the gang will be just as easy or, in fact, that it will be possible? On the contrary, his war of conquest is only just beginning and a thousand engagements must be fought before the World Financial Monopoly can hope to succeed where already on superior ground the Roman Catholic Church has failed. Moreover, his success, as we have pointed out, would be as empty as a graveyard wherein, indeed, all the hopes of mankind would lie buried. The world dictatorship of the proletariat, visionary as it is - and certain as it is, where attempted, to provoke its bureaucratic anti-body - has at least the saving grace of reference to the people at large; it professes sincerely to be only a necessary step to an ultimate democracy. But Mr. Montagu Norman's proposed dictatorship of the Financier has not even the merit of hypocrisy, since it pays not even lip-homage to the human and ineradicable ideal of free men in free societies and of voluntary human co-operation. As a Utopia spun on paper, Mr. Montagu Norman's vision might rank with the equally megalomaniac romances of Mr. H. G. Wells - with whom, indeed, he has many affinities. But we have only to imagine Mr. Wells at the Bank of England to realize how dangerous Mr. Montagu Norman is, and the more so from the fact that he appears to be as irresistible to his colleagues as Mr. Wells to his readers.

1997

"*The men who run the global corporations are the first in history with the organisation, technology, money, and ideology to make a credible try at managing the world as an integrated unit... What they are demanding in essence is the right to transcend the nation-state and in the process, transform it.*" R. J. Barnet & R. E. Muller in *Global Reach, The Power of the Multi-National Corporation*, (quoted in D. C. Korten, *When Corporations Rule the World*).

Behind these men who run the global corporations however are even more powerful people who meet, secretly as the Bilderberg Group, or more openly as the Trilateral Commission. The Trilateral Commission was formed by David Rockefeller, Chairman of Chase Manhatten Bank. Its large membership, which overlaps with that of the Bilderberg Group, includes high level officials of a number of the world's other major banks, the heads of four of the five largest non-banking corporations and major figures from some of the dominant international media empires. Many who have been selected for membership, such as Jimmy Carter, George Bush and Bill Clinton, have gone on from the Commission to occupy key posts in the world of politics.

There is no doubt that both of these organisations have played a leading role in guiding the world towards global corporatism and, via regional "trading" blocs, ultimately towards the prospect of world government by finance.

It seems ever more likely that this dream of a cosmopolitan globalism may indeed be realised. As Europe is driven

THE SOCIAL CREDITER

A.R. Orage Commemorative Supplement

5TH NOVEMBER 1997

HE ROSE OUT OF THE RANKS OF THE TALENTED INTO THOSE OF THE GREAT

Without dwelling upon its gunpowder plot origins in 1605, practically every English schoolchild engages in the Guy Fawkes' Day celebrations on November 5. It may be that a wider, maturer public will come to regard November 5, 1934 as of greater and universal significance. That was the occasion when, in a breach of a widespread "media" boycott of his chosen subject, Alfred Richard Orage, editor of a quality journal of small circulation - *The New English Weekly - A Review of Public Affairs, Literature and the Arts* - gave a broadcast address to the whole of depression-stricken Europe, in the BBC's series: Poverty in Plenty.

His purpose accomplished, Orage took light refreshment at the BBC, retired to his London residence, and died in his sleep. G. K. Chesterton commented: "The news came as a thunderclap that Orage, whose very name was The Storm, had passed as suddenly as he had appeared in the stormy days of old." The poet, Ruth Pitter, poignantly expressed the anguish felt in literary and political circles: "We are facing a loss of unknown extent. What Orage was to us, we know; what he will prove to have been historically, we shall not see in our time; and what he might yet have been politically is blotted out. The eloquence, the deadliness of his swordplay against the powers of darkness in this world, all these were the weapons of a mighty champion; but most of us who loved him will agree that his chief power lay in the still influence of his presence, which magically calmed and clarified the mind..."

Other eminent literary figures also paid their tributes in a Memorial Number of *The New English Weekly*, of November 15, 1934. George Russell (AE), the Irish mystic, divined that Orage spoke from depths of thought and feeling rare in journalism, the roots of his culture deriving from antiquity, from the wisdom of sages. But, significantly, he noted that with the surface mind Orage could be as modern as anyone, swiftly penetratating to what was essential in a policy, its emptiness or fulness.

G. K. Chesterton thought that he was the most vigorous and lucid exponent of economic philosophy at that time. George Bernard Shaw found that he would print pieces, regardless of politics or fads, provided only that the ginger was hot in the mouth. Ezra Pound believed that the breadth of Orage's mind was apparent in the speed with which, after meeting C. H. Douglas, he threw over a cumbrous lot of superstitions, and a certain number of good ideas, for a new set of better ones. What the novelist, Miss Storm Jameson, appreciated was that his power over other minds was involuntary - it was the natural persuasion exercised by a complete and disciplined mind over lesser ones. Augustus John lamented that his death was undoubtedly a disaster for English letters and to the cause of Social Credit for which he had fought with tireless devotion and superlative ability. Herbert Read regretted that Orage's support for Guild Socialism had lapsed, believing that had this most logical and attractive form of socialism developed, and in due course absorbed the doctrine of Social Credit, our condition would not then have been so hopeless.

In 1907, Holbrook Jackson had, for that year, shared with Orage the editorship of their newly acquired journal, *The New Age*. Standing beside Orage's coffin in Hampstead Church, he sensed that through all his mutations Orage had remained true to one master - Socrates. It reminded him of one of Orage's favourite passages in the Phaedo: "How shall we bury you?" asked Crito. "As you please", Socrates answered, "only you must catch me first." He concluded that they would not have buried Orage until all those who had known him were dead, adding, prophetically, "and perhaps not then."!

Lack of space excludes the homage of a host of others, but since to a remarkable degree Orage abandoned a range of interests to advance the cause of Social Credit, we give in full the tribute by C. H. DOUGLAS on the back page of this supplement.

A. R. Orage's Lecture

Broadcast in the BBC series "Poverty in Plenty" on 5th November 1934.

Originally published in *The New English Weekly*, Thursday, 15th November 1934. Vol. 6, No. 5.

Though most of you, I understand, are students of economics, I shall try to use only simple and everyday words.

For instance, instead of the abstract terms, Plenty and Poverty, I shall contrast Britain as Producer with Britain as Consumer; or Britain as Manufacturer and Shop-keeper with Britain as Shopper.

Imagine a plate-glass window stretching from John 0' Groats to Land's End; and, on the inside of it, all the goods that Britain makes, and, on the outside, the 40 or 50 millions of us still flattening our noses against the pane, just as we did when we were children.

As it costs us nothing, let us enter the shop and have a look round.

The first thing that strikes us is the staggering variety of the goods on sale. Nature is prolific in having created about half a million species of living creature; but the British genius has invented even more kinds of goods, and is still going on inventing. A collective sales-catalogue of all our shops would probably run to a million items. I happened to see that 200 different kinds of English apple were put on the market this year; and one London store-you may be glad to hear - stocks no fewer than 43 varieties of lip-stick.

If we ask the shop-keeper whether, and for how long, he can undertake to keep up the supply of three million varieties of Goods, he may show us, first, a line of warehouses all bulging with goods ready for the shop-window; and, behind the line of warehouses, a line of factories and workshops; and, behind those, quarries and mines and farms; and, behind these, laboratories and research schools; and, finally, behind them all, the British people themselves, with their character, industry, genius and history. With these resources, our shop-keeper says, he can undertake to keep up a practically unlimited supply for a practically unlimited future. And we can take his word for it.

As we stroll round the works, we notice how relatively few work-people there are about. This relative, and, as we know, progressive depopulation of industry is due, of course, to applied Science. Applied Science seems to have made it its mission in life to lift the curse laid on Adam and to transfer work from the backs of Men to the broader backs of Nature's other forces - steam, electricity and ultimately, perhaps, to atomic energy. For an ever-increasing output of Goods - both in variety and in quantity - the brains of the Few are dispensing more and more with the brawn of the Many.

Before leaving the premises we must remark one very important detail. All the Goods on Sale bear a price-label. And it appears that two processes of manufacture are carried on in Britain's workshop simultaneously. One is a visible stream of real Goods, and the other is an almost invisible stream of figures in the form of Prices. These two streams, though independent, flow side by side, and, in the shop-window, they unite as real Goods with their Price-labels on.

As a matter of curiosity, let us ask the shop-keeper what is his estimate of the collective Price-value of all the Goods in the window.

Without vouching for the exact figure, he says he reckons their collective value at not less than £500 million. And he adds that the collective Price-values created in a fair year of Production might be as much as £10,000 million; and that, working to capacity, it might be double that in a single year.

Feeling both terribly rich and terribly poor, let us now leave the shop of Plenty, and join the rest of the 40 or 50 million would-be shoppers outside.

What a change of scene! In contrast with the Productive system we have just left, where all is cooperation, reason and applied Science, we find a struggling mob in place of a disciplined army of technicians. Everybody seems to be fighting everybody else; and most of us seem to be getting the worst of it.

What is the trouble about?

Let us not be self-deceived. You and I know very well. It's about Money. If 98 per cent of the legal crime of Britain is admittedly due to Money, we may safely assume that a very large proportion of the crime of which the law takes no notice is due to the same cause.

Now what is this Money we are all quarrelling about? If you will stick to your own experience you will realise that Money is only a ticket authorising you to go shopping in the emporium we have just left. The only difference between, say, a railway-ticket and a Money-ticket is that a railway ticket is good only for transport, while a Money-ticket is universal and good for anything in the whole shop, up to its stated value in Prices.

And the reason, why Money is important, and, so to say, worth quarrelling about, is that Money-tickets are just as indispensable to our shopping as our shopping is indispensable to our lives. The Aladdin's Cave we have just left will open to no other pass-word. Money is the accepted and legal tender to life to-day in modern society.

What air was to the unhappy people shut up in the Black Hole of Calcutta money-tickets are to the 40 or 50 million of us shut up in the present financial system.

Now where do these indispensable Money-tickets come from? And how do we get hold of them? And why are there just so many of them about, sometimes more and sometimes less?

You will remember that in the shop we visited we found two streams in flow; a stream of real Goods and a parallel stream of Price-figures.

We have now to add a third and last stream; a stream of Money-tickets. And we can now say that just as all the real Goods and Price-values come out of the Productive system, so all the Money-tickets with which to buy the Goods come out of the Productive system also. And they come to the shopping public in one of three forms: Wages, Salaries and Dividends; the sum of which forms the Monetary Income of the nation. This Money-Income of the nation, derived from the Productive system for services rendered, is the only shopping-fund the nation as shopper possesses. It is all the Money-tickets the nation receives with which to buy the Price-values the nation has created. These shopping-tickets are more when the works are busy, and less when the works, are slack; but their number is always regulated by the activity of the Productive system.

How these Money-tickets that come out of the Productive system get into the Productive system is a simple matter. They are put in, in the form of loans, by private Money-ticket factories, called Banks, which have an exclusive monopoly of Money-ticket manufacture. We must surely have noticed in our tour of Britain's work-yard a number of elegant buildings to which some producers were always running to borrow tickets and others were running to return them. They are the Banks, where the Money-tickets come from, and to which they return.

Our immediate interest, however, is to compare the number of Money-tickets, *not* that are poured into industry, but that trickle to the shopping nation *out* of industry, with the Price-values created in the shop in the same period.

Obviously if the Money-tickets issued to shopping Britain were the exact equivalent of the Price-values created by shop-keeping Britain, the collective Monetary Income of the nation would be able to buy the collective Price-value of the Goods produced. We might dispute about the distribution of the tickets, but collectively, at least, there would be enough of them to buy our total Production.

The problem of equating the nation's means of Consumption with the nation's means of Production would be solved if every addition to Price-value resulted in an equal addition to Income.

But what we find, in fact, is that the Monetary Income of the nation, derived from the Productive system in the form of Wages, etc., is *not* equivalent to the Price-values created in the same period. The two streams of Prices and Income do *not* move at the same rate and volume. The stream of Price-values to the shop-window moves much faster than the stream of Money-Tickets to the shopping public, with the result that the annual collective shopping tickets of the nation, called its Income, are insufficient to meet the collective annual Price-values created in its shop.

Now this is a matter of fact and not of theory; and it can be proved by simple arithmetic. Our shop-keeper, for instance, has told us that, at a rough estimate, our annual output of Price-values is £10,000 million and probably more. And our taxing officials tell us, more accurately, that our annual Monetary Income is about £2,500 millions. As 4 is to 1, so is our output of Price-values to the Money-tickets with which to meet them. The nation's means of Consumption measured in Money-tickets, in short, is at least no more than a quarter of its means of Production measured in Prices.

Here, I believe, in this gap between Income and Prices, is the root-cause of our present difficulties. On the two provable assumptions: (a) that the Money-tickets distributed as Income to shoppers are our only title to go shopping - that is, to live; and (b) that the total number of tickets distributed among us is only enough to meet a quarter of the Price-values of the Goods in our shop - we can easily understand why we have to fight each other for tickets; why everybody looks for employment in the factory or, alternatively, for somebody to give tickets to him; why there are always more Goods than Buyers; and finally, why no Socialist scheme for taxing the rich, no "Communist" or Fascist scheme for administering the workshop, and no amount of Planning of Production can be of the least use so long as this Gap between Prices and Incomes remains.

And when we add that this gap is constantly widening with the progressive relative depopulation of the Productive system you will realise that our progress is towards the absurdity of a Maximum of Production and a Minimum of Consumption. Only, long before then, something will happen; something will break, as, in fact, it is breaking all around us.

Now while the fact of the Gap is the important thing, the explanation of the gap offered by C. H. Douglas appears to me to be convincing. He says that much of the money put into the Productive system as bank-loans never, in fact, gets out as Income during the same period in which it is put in. It is used simply to transfer capital Goods from one factory to another, and thus while it adds to the Price-stream, it does not add to the income of us shoppers.

If you ask, quite naturally, how in that case the Goods are ever sold at all, the answer is that there are more ways of killing a cat than choking it with butter. The Gap can be artificially bridged even if it is not actually closed.

For instance, Goods can be wilfully destroyed. Or they can be practically given away under the compulsion of bankruptcy. Or they can be disposed of in return for acknowledgment of debt, that is to say, by mortgaging our future Income of Money-tickets. Incidentally, every single one of us is in debt at this moment to the tune of about £500 apiece. But the most effective means of all is to distribute shopping-tickets on account of the production of Goods that never get into the shop-window at all, by Exports on Credit, by Capital Construction, and by Public Works such as roads - all of which provide Incomes without simultaneously adding to the Goods on Sale. By receiving Wages, in short, for the production of Goods we can't buy, we acquire the tickets with which to buy the Goods that can be bought.

But whatever the explanation, the fact of the ever widening gap remains; and the vitally important question is what are we to do about it?

Without discussing, merely to dismiss them, proposals that are either irrelevant to the real problem, or would only make it worse, it ought to be clear that our aim must be to close the gap between total Prices and total Incomes. And this can be effected only by either reducing Prices or raising Incomes till they are equivalent.

But this clearly necessitates a change of policy in regard to our whole Price and Money system. It involves the restoration to the community of control over its whole Money-ticket system. And it involves the institution of what we may call a National Credit Account, in which the Price-values created in the shop and the Money-tickets distributed for shopping would be kept constantly balanced.

The institution and keeping of such a National Credit Account would not necessarily require the nationalisation of the administration of the present Banks. On the contrary, it is only their policy we need to put under national control. The present Banks could just as efficiently carry out a National policy as they now carry out a private policy.

Then we have to find another means than direct Employment for the distribution of money-tickets to the nation as shoppers. Employment for everybody is increasingly impossible in a Productive system that is becoming increasingly technical; and, again, since Employment automatically increases Price-values faster than it increases Incomes, Employment widens rather than narrows the gap.

Social Crediters believe that as the Wage-system becomes obsolescent, thanks to the progressive depopulation of Industry, Dividends should gradually take the place of wages; so that as the Machine displaces Men, the wage-income previously paid to the displaced men, continues to be paid to them by the Machine that has displaced them. If the Machine does the work of 100 men, its production is obviously enough to pay 100 men's wages. The Dividend is the logical successor of the Wage.

Lastly, we need a scientific Pricing-system that shall automatically, so to say, ensure the fall of prices with the rise of Production, and, conversely, the rise of Prices with the fall of Production. At present, retail prices come to us laden with the charges for the depreciation of capital plant, but never off-set and compensated by the appreciation of capital plant that has also taken place. Retail prices, credited with the difference between Total Appreciation and Total Depreciation, would, we believe, give us the scientifically Just Price.

I need not say that I do not expect you to accept these suggestions all at once. You will find them explained in books by C. H. Douglas.

But in conclusion, and by way of giving zest to your studies, I would only remind you of this historic date, and warn you that in the gap disclosed between Price-values and Income is enough gun-powder to blow up every democratic parliament.

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In a World of PLENTY, there is no need for Poverty and DEBT. We have the resources and the technique to feed house and clothe all the 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.

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C.H. Douglas' Tribute to A.R. Orage

It is not so fashionable as it was, but it is equally true, to say that history is the biography of the world's Great Men. No-one who had the privilege of knowing Alfred Richard Orage intimately and had any sense of real values (and though Orage suffered fools gladly, he did not suffer them at length) could be in doubt that he was privileged to know one of the world's Great Men.

It is possible that there still lives someone who may possess those technical abilities of his which struck everyone, but on which I am not competent to dilate. His limpid prose style, the perfection of the art which conceals art; his competence as a literary critic, his brilliant, sometimes dazzling, conversational manner, might conceivably be found elsewhere, although I should not, myself, know where to look for them. But it is on none of these things that I like to dwell in thinking of my fifteen years' association with him.

The quality which raises Orage, I think, clear out of the ranks of the talented, into those of the Great, is that, possessing all these qualities, in themselves so easily marketable, he was essentially incorruptible, and, in consequence, possessed that only form of humility which is a virtue - constant readiness to do reverence to truth. Many years ago the Devil took him up into an high mountain, and showed to him the Seats of the Mighty; but he remained the editor of the "New Age," a little paper for those who write the others.

To say that it is drama at its highest that he should write an epitome of his final social belief expressed in words of unequalled simplicity, broadcast it to the largest audience which, so far as I am aware, he had ever addressed, then quietly die, is to state the obvious. But even the dullest must see, if they will stop a moment to consider, that with the death of Alfred Richard Orage, a page is turned. I do not think it could have been better written, and those of us who are left, are responsible only for the writing of one which is new. Ave atque vale.

RECOMMENDED READING

Maj. C. H. Douglas
Economic Democracy
Warning Democracy
Credit Power and Democracy
The Monopoly of Credit
The Control and Distribution of Production
Social Credit

Alan D. Armstrong
To Restrain the Red Horse The Urgent Need for Radical Economic Reform* (1996)

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towards full political and monetary union and preparations are made to transfer control of macroeconomic policy-making (ultimately in fact all economic policy-making) to unelected bankers, so the same process proceeds apace in the other regional blocs of NAFTA (The North American Free Trade Area) and APEC (Asia-Pacific Economic Community). Orwell's vision of 1984, it seems, is gradually being revealed as uncannily prescient and increasingly it looks likely that only his choice of date was wrong!

In Europe the Bundesbank's report for 1995 records that: "As a monetary union represents lasting commitment to integration which encroaches in the core area of national sovereignty, the EMU participants must also be prepared to take further steps towards a more comprehensive political union."[1] The Maastricht Treaty makes the objective unambiguously clear. In Article 107 for example, it confirms that, "*When exercising the powers and carrying out the tasks and duties conferred upon them by this Treaty and the Statute of the ESCB, neither ECB, nor a national central bank, nor any member of their decision-making bodies* ***shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body***." It goes on to insist that, "***The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks***" (emphasis added, nb. ECB - European Central Bank; ESCB - European System of Central Banks).

It is worth especial note that one of these institutions of the European Union which **must not seek to influence the decision making of central bankers** is the European Parliament!

Since control of monetary policy implies effective control of all economic policy, the Maastricht Treaty is proposing nothing less than dictatorship by central bankers. That political control of fiscal policy is also constrained by the continuing post EMU need to maintain the convergence criteria - debt/GDP ratios, budget deficits and inflation rates - simply re-inforces this central control by finance for which Montagu Norman fought so tenaciously all those years ago.

Yet despite this objective being put so clearly on record not one of the government's proposed 5 tests - sustainable convergence between the UK and other EMU countries; flexibility in the face of economic change; macro-economic stability; beneficial impact on investment and financial services; and an increase in employment - suggests that the **impact of EMU on the democratic process**, is of the least importance to it.

The rest of us might beg to differ and acknowledge that D. C. Korten is likely to be much closer to the truth when he notes that: "Economic globalisation is in the corporate interest. It is not in the human interest. Who holds the power to decide is the pivotal issue ..."[2] It is important therefore that such journals as *The Social Crediter* ensure the British electorate is much better informed by the time they come to vote in the promised referendum on Economic and Monetary Union.

[1] Quoted by Dr. Brian Burkitt in *First Voice; the Magazine of the Small Business Federation*, Oct/Nov 1997, p. 30.

[2] David C. Korten, *When Corporations Rule the World*, (London: Earthscan, 1995).

"UNEMPLOYMENT" AND A NATIONAL DIVIDEND

In his address to New Labour's conference on September 29th, Gordon Brown, Chancellor of the Exchequer confirmed that full employment was once more to be at the heart of New Labour's agenda. He referred variously to "employment opportunity for all" and to "full employment for the 21st century" which he suggested should be the ambition of decent minded people everywhere.

This is an unusually optimistic proposition for a seasoned politician to be advancing, for it is just a few years since Vasso Papandreo, the European Commissioner for social affairs, introduced the 1992 EC Annual Report with a forecast that the EC rate of unemployment would increase from 9.5% to 9.7% in 1993. Then in 1995 the OECD jobs study suggested that "policymakers will ... have to confront a major problem of high and persistent unemployment ... (which) ... looks set to remain high even when the cyclical recovery is complete". Indeed everywhere in the industrial world unemployment continues to be seen as the major problem for governments and people.

Employment opportunity for all, might just mean the chance periodically to work for welfare payment or to work part time in commercial employment for low wages and/or on "contract", without any prospect of continuity or sense of security. So what the Chancellor means by "full employment" in the next century, and how and when it might be achieved, is yet to be made clear.

We may predict that, despite the Chancellor's ambition, there is in fact no real prospect that "full employment", as it obtained between 1939 and the early 1960's, will ever be achieved. The pace and nature of technological change and the looming global environmental crisis will see to that. New economic arrangements which reflect this truth will have to be made.

From its earliest days, humankind used the time left from hunting and gathering for survival to invent increasingly sophisticated weapons, tools and later machines. These in turn, provided further increases in "surplus" time and energy which might be devoted to other purposes including creative activity and leisure.

In the 19th and 20th centuries an explosion of invention and scientific discovery hugely accelerated this process.

Yet it was not until 1957 that a very influential piece of analysis by R. M. Solow entitled *Technical Progress and Productivity Change*, stimulated significant interest amongst orthodox economists in the relationship between technology and growth of output and its implications for "employment".

Then in the mid 1960's Simon Kuznet in *Modern Economic Growth* described the economic growth of nations as "a sustained increase in per capita output (or per worker product) usually accompanied by ... sweeping structural change". He suggested that it was helpful to consider this process over long spans of time and went on to illustrate that for all countries, this process of technological change and economic growth was without exception "accompanied by a significant long term decline in man hours per capita output".

In 1969 E. Mansfield in *Economics of Technical Change* also claimed that "without doubt technical change is one of the most important determinants of the shape and evolution of the US economy ... which led to ... and increased the range and flow of products and allowed a reduction in working hours." Today the process continues with bewildering speed.

Long before orthodox economists seemed able to recognise it, C. H. Douglas already knew well that: "*For a given programme, increased production per man hour means decreased employment*".

He suggested that it was important therefore that politicians and industrialists should be clear about the objectives for the economy. In *The Monopoly of Credit* he noted that "*... the paramount difficulty of the industrial system is commonly expressed as that of unemployment. Therefore the suggestion involved is that the industrial system exists to provide employment, and fails.*

"Those who are engaged in the actual conduct of industry, however, are specifically concerned to obtain a given output with a minimum of employment, and in fact, a decreasing amount of employment. Consequently, those who are talking about industry have in their minds objectives which are diametrically opposed and incompatible."

Douglas and Social Crediters are clear that "full employment" in work for wages or salaries is neither an attainable nor ultimately a desirable objective.

As early as 1919, in the pages of Orage's *New Age*, Douglas suggested that: "*the primary requisite is to obtain in the readjustment of the economic and political structure such control of initiative that by its exercise every individual can avail himself of the benefits of science and mechanism; that by their aid he is placed in such a position of advantage, that in common with his fellows he can choose, with increasing freedom and complete independence, whether he will or will not assist in any project which may be placed before him. The basis of independence of this character is most definitely economic; it is simply hypocrisy, conscious or unconscious, to discuss freedom of any description which does not secure to the individual, that in return for effort exercised as a right, not as a concession, an average economic equivalent of the effort made shall be forthcoming ... this means a great deal more than the right to work; it means the right to work for the right ends in the right way.*

"*It seems clear that only by a recognition of this necessity can the foundations of society be so laid that no superstructure built upon them can fail, as the superstructure of capitalist society is most unquestionably failing, because the pediments which should sustain it are honeycombed with decay.*

"Systems were made for men, and not men for systems, and the interest of man which is self-development, is above all systems, whether theological, political or economic." (Subsequently published as his first major work, *Economic Democracy*. See Chapter 1)

When this objective for economic activity has been agreed and implemented, and individuals are no longer constrained either to work or starve, then the even more desirable objective of creating a prosperous, harmonious and truly leisured society will be within our grasp.

In such a leisured society, in which employment for wages and salaries is progressively reduced, there must be a mechanism by which the appropriate level of purchasing power is distributed. The mechanisms Douglas devised for this purpose included a National Dividend.

THE NATIONAL DIVIDEND

Douglas' proposal for a National Dividend is intended to ensure that each member of the community should have, as of right, some equitable share of the community's wealth in the form of goods and services.

If unemployment, in relation to paid work, must increase as technical progress continues and the constraints of a finite planet become increasingly obvious, then there must be an alternative arrangement for distributing purchasing power to consumers. If there is not, it will be to an increasing extent impossible for individuals made redundant by capital-intensive methods to maintain the quality of their living standards, whilst probably engaging voluntarily in socially desirable labour-intensive work or leisure.

Hence Douglas' suggestion that the logical and natural successor to the wage and salary system is dividends.

In anticipation of criticism on "moral" grounds - ie. that the dividend would represent something for nothing, he emphasised what he called the "Cultural Inheritance of the Community". He meant the capital gifts of nature; the benefits of scientific and technological innovation; ordered government; social and political organisation, education, religion and a hundred and one amenities of civilisation which each generation had passed on to it from countless previous generations of humankind. The proposal involves each member of the community receiving, as a matter of right, a dividend representing a proper share in the increase, from period to period, in the **real credit** of the community as a whole. It would be received whether the individual were employed or not and without regard to financial status.

The dividend would be financed by monetizing the real wealth of the community, so that as the community's productive capacity increased the dividend would rise. While it was paid as part of the individual's birthright and not as a dole, it was not to be raised by taxes or national insurance contributions.

It would be paid from credits, newly created by a National Credit Office (NCO), which would be the sole creator of the nation's money supply. The creation of money by the NCO would be independent of government. It would be closely matched to the potential of the real economy to produce goods and provide services.

With increasing productivity the National Dividend would also rise and in due course would replace unemployment benefits, family allowances, income support and other social benefits.

So via Douglas' proposals for the National Dividend (and the Scientific Price mechanism which will be discussed in a future issue of *TSC*) the private monopoly of credit, currently exercised by commercial banks, would revert to "Crown, Parliament and People" and Economic Democracy established.

Meanwhile, as international economists begin to reappraise the Social Credit analysis and prescription for change, it is encouraging to note that a recent academic review of Douglas's proposals for a National Dividend concludes that "*The Douglas/Orage critique of capitalist finance as presented in the 1920s is highly relevant to contemporary concerns. Selectivity and targetting of benefits inhibits participation in paid employment for recipients while placing an increasing burden of transfer payments in the form of taxation and National Insurance contributions on employers and employees.* ***Attempts to ameliorate the system may prove less fruitful than radical restructuring in line with the Douglas/Orage analysis***" (emphasis added). ("Major Douglas' Proposals for a National Dividend: A Logical Successor to the Wage", B. Burkitt & F.Hutchinson, *International Journal of Social Economics*, 1994, Vol. 21, No.1, MCB University Press, Bradford, UK.) CHANCELLOR BROWN PLEASE NOTE!

A PRAYER FROM THE LORDS

The following speech was delivered by the Earl of Caithness in the House of Lords on Wednesday, 5 March, 1997. It is recorded in *Hansard*, Vol. 578, No. 68, columns 1869 - 1871.
Our emphases have been added.

The Earl of Caithness: My Lords, I too wish to thank my noble friend Lord Prior for initiating this debate. It comes at a most interesting time in the run-up to the general election and, as a result, we could not have envisaged the parties opposite saying anything thought-provoking or interesting about the economy. We were not disappointed.

Looking at it from a conventional viewpoint, the economy is in good shape and the Government have done better than most of their counterparts in Europe. We have moved out of recession and on the surface the economy is stronger and people are more confident. There is much that I could say about that. I think the Government have done a very good job.

However, it is also a good time to stand back, to reassess whether our economy is soundly based. I would contest that it is not, not for the reason to which the noble Lord, Lord Eatwell, alluded, which is that it is the Government's fault, but our whole monetary system is utterly dishonest, as it is debt-based. "Dishonest" is a strong word, but a system which by its very actions causes the value of money to decrease is dishonest and has within it its own seeds of destruction. We did not vote for it. It grew upon us gradually but markedly since 1971 when the commodity-based system was abandoned.

Let us look at what has happened since then. The money supply in 1971 was just under £31 billion. At the end of the third quarter of last year, it was about £665 billion. In 25 years it has grown by a staggering 2,145 per cent. Where has the money come from? Interestingly, the Government have only minted a further £20 billion in that time. It is the banks, the building societies and our commercial lenders who have created the balance of £614 billion. If this rate of growth is projected over the next 25 years, the money supply in 2022 will be over £14,000 billion.

All that new money bears interest paid either by us as individuals, by companies or by the Government. Today the Government pay over £30 billion annually in interest charges - coincidentally about the same as the total money supply only 25 years ago. Governments since then have abdicated their responsibility for producing new money and controlling the money supply so that now they are marginalised. In 1971 government notes and coins accounted for 14 per cent of the money supply. Now it is only about 3.5 per cent. "So what?", noble Lords might ask.

The problem is that it is commercial lending that has boosted the money supply, thus increasing debt and, as sure as night follows day, inflation follows growth in money supply of this sort. The only reason that debasement has not flowed into price figures in the last four years is that the high interest rates in the recession gutted businesses and individuals, leaving too many unable to pay the price levels that the debasement requires. But the wall of money is increasing remorselessly. The noble Lord, Lord Ezra, mentioned the Halifax Building Society's latest surplus of about £3 billion to £5 billion.

Since 1991, in a time of recession, it has increased by 32 per cent. and most of that is in the last two years. **We must remember that virtually all the increase represents a rise in the burden of debt the economy must carry.** The wall of money has already driven the stock market to an all-time high and some are now questioning whether it truly reflects company performances. Recently more money has begun to be channelled into both the residential and commercial property markets. Here I must declare my interest as a residential surveyor in central London who has benefited from that. Our company, Victoria Soames, recorded a hardening of the residential market early last year, followed by a 20 per cent rise in the last six months. That rise is continuing, if not accelerating. Lenders remain aggressive and, very disturbingly, the proportion of borrowing by individuals is moving up.

When the money supply increases, as it is doing, the previously existing money is debased accordingly. Therefore, either wages and salaries must also increase to maintain parity or those who earn wages and salaries will find that they no longer participate in the national economy to the same extent as they did previously. This exacerbates the growing fragmentation of our society, which cannot go on for ever. I am not advocating high wages but I am advocating less debasement and better control of the money supply.

When wage inflation does happen, it will feed through to all parts of the economy. The result, sadly, will be that the Government have to use the only tool they know - an increase in interest rates. That has happened fairly recently, but it is not the first time that is has happened. We saw it in the 1970s and again in the 1980s. It is a consequence of our debt-based monetary system that it leads inevitably to business and economic cycles.

Conventional wisdom tells us that in order to create new jobs and boost the economy, interest rates have to be reduced. That has happened. People are encouraged to borrow to invest and spend. That has happened. As the continuing flow of new money finds its way into the economy, inflation will follow and up will go interest charges again to reduce the level of borrowing. In order to pay the increasing levels of interest, borrowers will once more have to reduce expenditure in other areas of economic activity. The cycle will continue, but the next time, as before, we will all start deeper in debt and with a burden harder to carry. **Personal debt has already increased by nearly 3,000 per cent. since 1971. How much more can we take? I hope, for the sake of our economy, without which we cannot finance what we want to see - a good health service and a good social security system among other things - we will question this conventional wisdom.**

We all want our businesses to succeed, but under the existing system the irony is that the better our banks, building societies and lending institutions do, the more debt is created. The noble Lord, Lord Kingsdown, said that there is little that can be done about debt. No, I do not believe that. There is a different way: it is an equity-based system and one in which those businesses can play a responsible role. **The next government must grasp the nettle, accept their responsibility for controlling the money supply and change from our debt-based monetary system. My Lords, will they? If they do not, our monetary system will break us and the sorry legacy we are already leaving our children will be a disaster.**

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