In the introduction to his highly successful book, *Earth in the Balance* (re-printed six times since its publication in 1992), US Vice President Al Gore writes:

For me, the environmental crisis is the critical case in point: now, every time I pause to consider whether I have gone out on a limb, I look at the new facts that continue to pour in from around the world and conclude that I have not gone nearly far enough. The integrity of the environment is not just another issue to be used in political games of popularity, votes, or attention. And the time has long since come to take more political risks - and endure much more political criticism - by proposing together, more effective solutions and fighting hard for their enactment.

In our search for solutions to this most pressing of problems, it is vital that we understand and make clear, as Al Gore, alas, does not, the critical role of the fractional reserve, debt-money banking system and its associated inescapable, frantic and unsustainable drive for exponential “economic” growth.

That such growth is unsustainable is quite widely understood. Why it is also increasingly uneconomic is explained by former World Bank economist Herman Daly who, in 1996 was the recipient of a major Right Livelihood Award created to “honour pioneers in economics, health, peace and development”. His speech which, with permission of the Right Livelihood Award Foundation we reproduce here, was given at the presentation ceremony in the Swedish Parliament in October of that year.

---

UNECONOMIC GROWTH: CONFLICTING PARADIGMS

by Herman Daly

Growth in GNP is so favoured by economists that they call it “economic” growth, thus ruling out by terminological baptism the very possibility of “uneconomic” growth in GNP. But there is no a priori reason why at the margin the environmental and social costs of growth in GNP could not be greater than the production benefits. In fact, economic theory would lead us to expect that at some point. The law of diminishing marginal utility of income tells us that we satisfy our most pressing wants first, and that each additional unit of income (production) is dedicated to the satisfaction of a less pressing want. So the marginal benefit of growth declines. Similarly, the law of increasing marginal costs tells us that we first make use of the most productive and accessible factors of production - the most fertile land, the most concentrated and available mineral deposits, the best workers - and only use the less productive factors as growth makes it necessary. Consequently, marginal costs of growth increase. When rising marginal costs equal falling marginal benefits then we are at the optimal level of GNP, and further growth would be uneconomic - would increase costs more than it increased benefits. Why is this simple application of the basic logic of microeconomics treated as inconceivable in the domain of macroeconomics?

UNECONOMIC GROWTH IN FACT

One might accept the theoretical possibility of uneconomic growth, but argue that it is irrelevant for practical purposes since, it could be alleged, we are nowhere near the optimal scale. The benefits of growth might still be enormous and the costs still trivial at the margin. Economists all agree that GNP was not designed to be a measure of welfare, but only of activity. Nevertheless they assume that welfare is positively
correlated with activity so that increasing GNP will increase welfare, even if not on a one-for-one basis. This is equivalent to believing that the marginal benefit of GNP growth is greater than the marginal cost. This belief can be put to an empirical test. The results turn out not to support the belief.

**UNECONOMIC GROWTH IN TWO PARADIGMS**

Within the standard neo-classical paradigm un-economic growth is an anomalous category. You will not find it mentioned in any macroeconomics textbook. But within the paradigm of ecological economics it is an obvious possibility. Let us consider why in each case.

The pre-analytic vision of standard neo-classical economics is that the economy is the total system, and that nature, to the extent that it is considered at all, is a sector of the economy - eg. the extractive sector (mines, wells, forests, fisheries, agriculture). Nature is not seen, as in the ecological economics vision, as an envelope containing, provisioning, and sustaining the entire economy, but as one sector of the economy similar to other sectors. If the products or services of the extractive sector should become scarce, the economy will presumably "grow around" that particular scarcity by substituting the products of other sectors. If the substitution is difficult, new technologies will be invented to make it easy.

The unimportance of nature, in this view, finds empirical support in the declining share of the extractive sector in total GNP. Beyond the initial provision of indestructible building blocks, nature is simply not important to the economy in the view of neo-classical economics. Ecological economics considers the percentage of GNP represented by resources to be a misleading indication of their importance. One might as well claim that a building's foundation is unimportant because it represents only five percent of the height of the skyscraper erected above it. GNP is the sum of value added. Resources are that to which value is added - the foundation or base upon which the skyscraper of value added is resting. A foundation's importance does not diminish with the growth of the structure that it supports! If GNP growth resulted only from increments in value added to a non-growing resource throughput, then it would remain economic growth. But that is not what happens.

What happens, according to ecological economics, is that the economy grows mainly by transforming its environment (natural capital) into itself (man-made capital). This process of transformation takes place within a total environment that is finite, non-growing, and materially closed. A throughput of solar energy powers bio-geochemical cycles, but that energy throughput is also finite and non-growing. As the economic subsystem grows it becomes larger relative to the total system, and therefore must conform itself more to the limits of the total system - finitude, non-growth, and entropy. Subsystem growth is ultimately limited by the size of the total system, even under neo-classical assumptions of easy substitution of man-made for natural capital. But if man-made and natural capital are complements rather than substitutes, as ecological economics claims, then expansion of the economic subsystem would be much more stringently limited by that complementarity. There would be no point in transforming natural capital into man-made capital beyond the capacity of remaining natural capital to complement and sustain it. What good are more fishing boats when the fish population has disappeared? The fish catch used to be limited by number of fishing boats (man-made capital) but is now limited by the remaining populations of fish in the sea (natural capital).

When factors are complements the one in short supply is limiting. If factors are substitutes then there cannot be a limiting factor. Economic logic says that we should economise on and invest in the limiting factor. Economic logic stays the same, but as we have moved from an "empty" world to a "full" world, the role of limiting factor has gradually shifted from man-made to natural capital, eg. from fishing boats to remaining fish in the sea; from saw mills to remaining forests; from irrigation systems to aquifers or rivers; from oil well drilling rigs to pools of petroleum in the ground; from engines that burn fossil fuel to the atmosphere's capacity to absorb CO2, etc.

The optimal scale of the economy is smaller, the greater is: (a) the degree of complementarity between natural and man-made capital; (b) our desire for direct experience of nature; and (c) our estimate of both the intrinsic and instrumental value of other species. The smaller the optimal scale of the economy, the sooner its physical growth becomes uneconomic.

**FROM PERMITTING GROWTH, TO MANDATING GROWTH, TO LIMITING GROWTH**

The neo-classical paradigm permits growth forever, but does not mandate it. Historically the growth mandate came from the answer given to the problems raised by Malthus, Marx, and Keynes. Growth was the common answer to all three problems. Overpopulation, unjust distribution, and involuntary unemployment would all be solved by growth. Overpopulation would be cured by the demographic transition initiated by growth. Unjust distribution of wealth between classes would be rendered tolerable by growth, the rising tide that lifts all boats. Unemployment would yield to increasing aggregate demand which merely required that investment be stimulated, which of course implies growth. Continuing this time-honored tradition the World Bank's 1992 World Development Report argued that more growth was also the solution to the environmental problem. But of course the assumption in all cases was that growth was economic, that it was making us richer rather than poorer. But now growth is becoming uneconomic. Uneconomic growth will not sustain the total system, and therefore must conform itself more to the limits of the total system - finitude, non-growth, and entropy. Neither will it help redress unjust distribution, nor cure unemployment. Nor will it provide extra wealth to be devoted to environmental repair and clean-up.

We now need more radical and direct solutions to the problems of Malthus, Marx, and Keynes: population control to deal with overpopulation; redistribution to deal with excessive inequality; and ecological tax reform to raise resource productivity and employment. These must be national policies. It is utopian (or dystopian) to think of them being carried out by a world authority. Many nations have made progress in controlling their population growth, in limiting domestic income inequality, in reducing unemployment. They have also improved resource productivity by internalising environmental and social costs into prices. These significant national gains are now being undercut by the ideology of globalisation. **Global economic integration by free trade and free capital mobility effectively erases the policy significance of national boundaries,**
turning the federated community of nations into a cosmopolitan non-community of globalised individuals. Some of these “individuals” are giant transnational corporations, treated as individuals by legal fiction.

Under globalisation, each country seeks to expand beyond the limits of its own ecosystem and market by growing into the ecological and economic space of all other countries, as well as into the remaining global commons. Globalisation operates by standards-moving competition to bid down wages, to externalise environmental costs, and reduce social overhead expenses for public goods. But it is far worse than an unrealistic global dream - it activelyundercuts the ability of nations to continue dealing with their own problems of unjust distribution, unemployment, external costs, and overpopulation. It is hard to imagine any country continuing to limit its birth rate or internalise its environmental and social costs when the results of overpopulation and cost externalisation in other countries freely spill over into it.

Globalisation is the latest elixir concocted by the growth-forever alchemists. Export-led growth is the new philosopher's stone that turns lead into gold by the alchemy of free trade. With the revival of alchemy comes a return to the logic of Mercantilism: wealth is gold, and the way for countries without mines to get gold is to export more goods than they import, and receive payment for the difference in gold. The way to export more than you import is to reduce wages.

In reporting the debate on the relevance of EMU to British business the UK news media has tended to concentrate on the views of “big business” - represented by the CBI and the Institute of Directors. It has made very little comment on the views of the small business sector which accounts for almost 80% of total British and European employment!

Yet in a Press News release of 24 October, 1997, Brian Prime, Chairman of the Policy Unit of FIB (Federation of Small Businesses) which has over 100,000 member firms, emphasised that “small firms were in principle, opposed to a single currency, as the costs and implications far outweigh the benefits to this sector”.

Mr. Prime added, “Small businesses do not believe that moving to a single currency is simply a question of changing the notes and loose change in our pockets. We are concerned that little attention and public awareness has been paid to the major changes required with the single currency programme such as the European Central Bank, which will control the European Union and therefore the UK economy. The European Union is already looking to control taxation.

“The promotion of creative book-keeping on the part of other member states keen to meet the convergence criteria is to be deplored. We fear that the whole system constructed around the single currency is one based on an insecure foundation and it is best for Britain to opt out.”

It is time then for some better balance in the debate on European Union and especially on European Monetary Union. The book reviewed below should greatly help in this process.

**ECONOMIC MONETARY UNION**

A price not worth paying: the economic cost of EMU


Reviewed by Alistair D. McConnachie

As the late Viscount Tonypandy noted in the foreword to this attractively designed booklet, “Bradford University has placed Britain in its debt by the research it has done on the question of our relationship with Europe.” The authors, all Lecturers in Economics at Bradford University, have an excellent track-record in producing clear, concise and comprehensive information which allows the anti-EU and pro-sovereignty cause to be more widely known and understood. The authors’ last work, *There is an Alternative* was reviewed in the September/October 1997 issue of *The Social Crediter* and is important reading. In addition, Dr. Brian Burkitt, in association with Dr. Frances Hutchison, also of Bradford, has produced ground-breaking research on Social Credit history, philosophy and economics. See for example the works published in *The Social Crediter* of Sept/Oct, 1996 and of March/April, 1997. This latest presentation is of the same high standard.

The aim of this work is to examine the likely effect of EMU upon living standards, jobs and unemployment.

Section one examines the "convergence criteria" which each member state is currently compelled to meet. Article 104c(2) of the Maastricht Treaty requires that the Budget Deficit of each member nation is kept within 3% of Gross Domestic Product. The Chancellor of the Exchequer may claim to be “keeping within Tory spending limits” but chooses not to reveal that these limits are mandated by our membership of the EU! Perhaps not surprisingly neither the media nor the Conservative Party seem in any rush to correct him. Therefore, even though we may have an “opt-out” from joining EMU, our membership requires us to operate the economy within the criteria imposed. The authors refer to this as a "fundamental loss of democracy" because a democratically chosen British government is legally constrained in how it manages the economy in the interest of all its citizens.

Certainly the British government was chosen by the democratic process and there were parties, advocating withdrawal from the EU, which stood at the last general election and collectively gathered 1 million votes, but that hardly amounts to a democratic endorsement for any proposition that the UK should participate fully in the EU and EMU.

New Labour clearly understood this in advance of the election when, as a central plank of its manifesto, it made its commitment to a referendum before it would agree to sign up to full participation in EMU.

It is important that the British
THE SOCIAL CREDITER

maintained. Meanwhile as we await the electorate ensure that commitment is maintained. Meanwhile as we await the promised referendum we should acquaint ourselves as fully as possible with the implications for the democratic process which lie in the Maastrict treaty and any proposal that we should proceed to participation in stage 3 of monetary union.

Article 107 for example requires 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 the 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. The Community institutions and bodies and the governments of the member states undertake to respect this principle and not to seek to influence members of the decision-making bodies of the ECU or of the national central banks in the performance of their tasks.” (ESCB means European System of Central Banks. ECB means European Central Bank.)

In addition a Protocol of the treaty states that the process of transition to the third stage of monetary union (which is what the referendum will be about) is to be of an “irreversible character”. It is not difficult therefore to see why the “fundamental loss of democracy” which the authors identify even in our current involvement will be greatly magnified if a decision should be taken to proceed to stage 3.

Section two includes an examination of the effect of EMU on exchange rates. The authors caution against the idea of fixed exchange rates because they do not allow for the flexibility required to adapt and solve disequilibrium in the economy.

The authors predict that a single, federal monetary authority will be unable to design and implement a single economic programme which can respond to changes in the external economic environment which may impact upon different member nations in different ways. For example, an oil price rise will generate a positive impact upon the UK’s balance of payments and tax revenue but all the other member nations, expect the Netherlands, will experience a worsening economic situation. The inability of EMU to solve this problem may cause the entire EU integration project to self-destruct, with serious consequences.

As the authors emphasise, EMU means the loss of monetary policy as a means of managing the national economy. A single interest rate, credit policy and exchange rate will be set by the European Central Bank. The governments of each member state is likely to exert very little influence over this process. Only a government which is in sovereign control of its monetary policy can create the conditions which will enable prosperity for its people. The notion that EMU is the only alternative is without foundation. The authors covered this well in their last publication There is an Alternative.

Economic union between countries whose economies are so diverse would mean that fiscal transfers between richer members to the poorer members would be the only way of attempting to alleviate growing disparities. The authors predict that the level of contributions required from the UK could be so high as to require the destruction of our public sector entirely. The only way this fate could be avoided would be for large areas of UK government to be transferred to the EU budget. This would mean large areas of public expenditure, such as defence, education, social security, transport and health, being determined by the EU. The EU Commission has made no secret of its desire for a European defence force, for example, and would welcome the increased political power such an economic move would confer.

Section three deals with the unemployment costs likely to occur from EMU.

While the authors believe it is difficult to forecast accurately the impact upon unemployment levels, they note that all calculations which have so far been attempted predict an overwhelmingly negative impact upon these levels.

They conclude that economic and monetary union is not possible between most of the member nations of the EU because their economies are too different. This is especially the case with the Eastern European countries which are lobbying to join. The costs to the UK should not be underestimated and the authors predict that the UK will need to maintain a squeeze on public spending well into the next century in order to meet the convergence criteria.

With an Appendix section which helps to summarise the main points, a glossary of terms and an interesting bibliography, this well-referenced and easily read booklet represents a valuable and necessary addition to the pro-sovereignty armoury. It is an excellent resource for the economic facts and figures needed to argue convincingly and successfully. As the authors state, “the case against EMU is clearly proven.”

A price not worth paying - the economic cost of EMU is available from Bloomsfield Books for £4.50 post paid. See address on the back page of this journal.

IT’S YOUR MONEY

There is probably no subject in the field of economics - academic or domestic - that impinges more frequently and on more people, than that of money. There is a continuing argument about how it is, or should be, created; why there should sometimes be “too much money chasing too few goods” or why, at other times, there is “no money” with which to alleviate poverty and homelessness, improve our health and other services or ease the plight of people in the Third World.

Much has been written about it. But all too often it remains a mystery even to many who suspect that it is at the heart of so many of the world’s problems.

To help take this mystery out of money the Secretariat intend to reproduce verbatim, extensive excerpts from the small book IT’S YOUR MONEY by William F. Hixson. As with Hixson’s other books and essays on this issue it has a credibility and clarity that comes from careful, thorough study of the topic and a natural gift for written presentation. It is a combination that will ensure its easy access by all who read it.

In his Preface Hixson confirms, and we agree, that “This book is about YOUR MONEY no matter in what country you reside. It may at first appear to be solely about the monetary system of the USA but the systems are so similar in all countries that most of what is written here about the USA applies everywhere.”
The Social Credit Secretariat is pleased to publish the following extracts which represent Chapters 1 and 2 of William Hixson’s book.

**KINDS OF MONEY**

In 1868 the then Secretary of the Treasury of the United States, Hugh McCulloch, drew resounding applause when he addressed a public gathering with these words: "I look upon an irredeemable paper currency as an evil ...

Gold and silver are the only true money. I have no doubt that these metals were prepared by the Almighty for this very purpose."

At the time McCulloch spoke the unit of USA money, the dollar, was defined as 371.25 grains of silver (making silver worth $1.29 per Troy ounce). The dollar was also defined as 23.20 grains of gold (making gold worth $20.67 per Troy ounce and 16 times the value of silver). In the years since McCulloch’s oration, gold and silver coins have been phased out of circulation throughout the world. In the USA, silver was demonetized in 1873 and gold in 1934. Money of gold and/or silver proved unsatisfactory because the supply of these metals did not naturally increase as needed by rapidly growing economies and could not be made by human agency to increase as needed. Virtually everything called money and everything serving the purpose of money in the world today, and in the USA in particular, is “man-made.” It is money created by human individuals or human institutions. It has no intrinsic value like gold or silver. As McCulloch would say, it is an “irredeemable paper currency.” It is essentially paper and ink. It is numbers on bills or in ledgers or in computer memories and little else. I say this merely to set the record straight at the outset, not to imply in any way that money should not be man-made or to imply that it should have intrinsic value. It is no more necessary that money have intrinsic value than it is for a postage stamp, a bus ticket or an airplane ticket.

Paper money makes possible a money supply that can be made to increase at substantially the same rate as the supply of goods and services in the economy increases. Paper money makes possible a money supply that can be made to increase substantially as the Monetary Authority of a country wants it to increase. Paper money (in contrast to gold or silver money) makes “monetary stability” an achievable goal. Paper money is one of the great inventions of all time. “The Money Supply” is, nevertheless, a very complex subject. Virtually no statement about it can be made and no statistic may be cited but that some expert can find fault. What I try to do in this book is deal in as simple yet significant way as I can with the two kinds of today’s money that everyone agrees are most important. The USA money supply I deem to consist of two parts only:

1) Currency Held by the Public; and
2) Deposits in Commercial Banks and Other Depository Institutions (mutual savings banks, savings and loan associations, and credit unions).

“Currency Held by the Public” is sometimes called “billfold money.” I also refer to its source by calling it Government-Created Money (GCM). “Deposits in Banks and other Depository Institutions” is often called “money-in-the-bank” or “cheque-book money.” I also refer to its source by calling it Bank-Created Money (BCM). GCM and BCM, both as to quantity and use, are governed by different laws. Both, however, exist within a recognized and generally accepted legal framework.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>1994 AMOUNT (billions current $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCM-Currency held by the public</td>
<td>$354.5</td>
</tr>
<tr>
<td>BCM-Deposits in Banks and other Depository Institutions</td>
<td>$2874.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3228.9</strong></td>
</tr>
</tbody>
</table>

These two kinds of money and their amounts as of December 1994 were as follows:

Readers will notice that GCM constitutes only about 11 percent (354.5 divided by 3228.9) of the total. Most “monetary” transactions today involve neither gold or silver coins nor billfold money. Most payments are made by drafts against deposit accounts – by cheque or credit-card - by the use of BCM.

A principal thesis of this book is that banks create too much of our money and the government creates too little. I maintain that GCM should be a much larger proportion of our money supply and that the BCM proportion should be reduced accordingly.

Some of the reasons for this point of view may be made clearer if we give consideration to a third kind of money, albeit an illegal one. I refer to Counterfeiter-Created Money or CCM.

The United States Government is not the sole creator of billfold money. It is also created by counterfeiters and a highly significant attribute of the money-creation process emerges if only a little thought is given to the very old occupation of counterfeiting. When the common currency consisted solely of coins of copper or the precious metals, underweight coins or coins made of cheap alloys were the stock in trade of counterfeiters. Since the invention of a currency consisting of paper money, counterfeiters have continued to ply their trade and have flouted the most drastic penalties in order to “ride the gravy train” and harvest the “something-for-nothing” that inheres in the money-creation process.

In Pennsylvania in 1723, for example, it was enacted that counterfeiters were to be punished by having both their ears cut off and by being whipped “on the bare back with thirty lashes well laid on.” About the same time, Massachusetts decreed the death penalty “without benefit of clergy” for counterfeiting. In the much-researched wartime period 1797-1815 in England, it is said that there were 257 counterfeiters assessed the death penalty; more than one a month! Neither the counterfeiting nor the executions ceased in 1815; the most common sentence meted out to a convicted counterfeiter until well along in the nineteenth century was “to be hanged by the neck until dead.” But counterfeiters were not dissuaded.

In more recent times prison sentences have replaced the death penalty. Counterfeiting nevertheless continues because creating money remains a very lucrative occupation if one gets away with it. The Secret Service (a branch of the Treasury Department) has on file in Washington, D.C. something like 13,000 samples of counterfeit USA money seized in the past. During the five years 1989 to 1994, the Secret Service arrested 9,279 counterfeiters and the conviction rate was 94.5 percent. During the same period the Secret Service seized an average of $53 million in counterfeit currency per year before it was passed into circulation. The Service estimates that about $19 million per year in counterfeit currency was passed to the USA public. The ratio of the number of counterfeit bills to genuine bills circulating in this country at any one time is about 1 to 7000 or 8000.

Only a very few counterfeiters, it appears, have much luck evading the law, although it is always possible that some very successful ones have not yet been detected. The most successful
counterfeiter on record managed to pass over $2,500,000 in phony $100 bills before getting caught.

In January 1995 the government began the introduction of bills of a new format - one designed to make counterfeiting more difficult. In the new bills, the portrait has been made larger and more intricate. A watermark that can be seen only when the bill is held up to a light has been added. The denomination of the bill in the lower right hand corner is especially contrived so that it appears green when viewed head-on but appears black when viewed at an angle.

A large amount of genuine USA money circulates outside our borders but counterfeiters of United States currency are more successful circulating their product abroad than in this country. An estimated $50 billion to $100 billion in counterfeit USA money circulates abroad but nobody really knows the precise amount, nor is likely ever to know. In 1993 over $120 million in counterfeit USA money was confiscated in other countries either by foreign authorities or by our Secret Service. Countries most prominent for their counterfeiters of United States currency are Argentina, Colombia, Iraq and Italy.

The reason for the persistence of widespread counterfeiting, of course, is that the successful creator of money, whether a legal or illegal creator, may expect enormous gains at very little expense. It costs our Bureau of Engraving and Printing only about 3.5 cents to create a $100 bill. It probably costs counterfeiters somewhat more but the "mark-up" nevertheless remains quite attractive.

There is, without exaggeration, "something-for-nothing" to be obtained from the money-creation process. Money creation is immensely profitable to a counterfeiter who goes undetected. More to the point here, creating money is immensely profitable to a government or to a banking system.

Had the alchemists realized their dream of being able to transmute base metals into gold they could hardly have become wealthier than those who are able to "transmute" a bit of paper and ink into everywhere-acceptable purchasing power or power to repay debts.

The person or private institution or government that creates money is spared the arduous labour that would be required to make owning a gold or silver mine profitable. The creator of money is more or less given the "Midas touch" without its downside. A money creator is very much in the position of owning a whole gaggle of golden-egg-laying geese or possessing Aladdin's Lamp. The person or institution that creates money gets a windfall, a bonanza, that should properly go solely to the people as a whole via their duly constituted government.

Persons or businesses that spend more than their income must necessarily borrow the difference (assuming no resort to counterfeiting or theft). On the other hand, a sovereign government that spends in excess of taxes is not necessarily constrained to borrow. A sovereign government may supplement tax-revenues by creating money and do this legally and to great advantage to the overall economy and its citizens.

A nation's money supply must necessarily increase in step with its output of goods and services if the price level is to remain fairly constant. Increases in a nation's money supply of an appropriate size are, however, not brought about by any law of nature. Bringing them about is one of the principal tasks of good government. The most appropriate way of bringing them about is by Government Money-Creation.

Yet government creates less than 11 percent of our money and banks create at least 89 percent. Banks are profiting too greatly from the money-creation process and the government is not profiting enough. But before dwelling further on the absurdity of the existing arrangement let us proceed immediately to some of the facts about Government-Created Money. Bank-Created Money will be considered in due course.

**A FIRST LOOK AT GOVERNMENT-CREATED MONEY**

When the word "money" is mentioned what pops into the minds of most of us is either "small change" or "folding money" - either our 1, 5, 10, 25 and 50 cent coins or our $1, $2, $5, $10, $20, $50, or $100 bills. The United States Treasury Department creates coins at its mints in Philadelphia, Denver, or San Francisco and creates bills via the Bureau of Engraving and Printing in Washington, D.C. or Fort Worth, Texas.

In the past the government issued coins in a much greater profusion and variety than currently. Small coins no longer minted were of the value of 1/2, 2, and 3 cents, all of which were discontinued before the end of the eighteenth century. Silver $1 coins were minted off and on until 1974. $2.50, $5, $10, and $20 gold pieces were minted until the 1930s.

It may also be remarked that at one time or another the government issued paper money in a much greater variety than currently. Paper bills called "fractional currency" (to a total of about $370 million) circulated in the amounts of 3, 5, 10, 15, 25, and 50 cents from 1863 to 1876. Bills for larger amounts than currently have also circulated in the past - denominations of $500, $1,000, $5,000, and $10,000. Bills larger than $100 were not issued after 1945 and in July 1969 all outstanding large bills were ordered to be taken out of circulation.

In 1990 the face value of all USA paper currency in circulation amounted to about $254.4 billion and the face value of all coins to a little under $1 billion. That is to say, paper money accounts for about 99.6 percent of the total. Thus we may safely regard coins as of such minor importance to a study of money that we may deal solely with the paper money the government creates and need say little more about coins; no offense to numismatists intended.

Now search your billfold or purse for a $1, $2, $5, $10, $20, $50, or $100 bill. Whatever the dollar amount, the bills are all alike in respect to what is mentioned in the present context. They all have "The United States of America" in large letters above the likeness of an historically great man pictured at the center. (It is illegal to picture any living person on currency in the USA although this is not true of all countries.) To the right of the portrait all bills have the seal of "The Department of the Treasury." Below the seal they all have the signature of the Secretary of the Treasury. And for somewhat more than good measure, at lower left they all show the signature of a little known official called "Treasurer of the United States." Not that anyone is likely ever to have doubted it, but surely the evidence is overwhelming: these bills are purely and simply Government-Created Money.

Already I have referred to our $1, $2, $5, $10, $20, $50, or $100 bills as billfold money, folding money, paper money, and Government-Created Money. We also refer to these bills as cash, currency, printing-press money, and by various slang terms - bucks, cabbage, moola, dough, bread, do-re-mi, dinero, mazuma, and so on. But now look just to the left of the top of the portrait that appears in the center of any bill. There you will find the words: "This note is legal tender for all..."
debts, public and private." It would be difficult to overstate the importance of these words on our bills. "Legal tender" is another term for "official money" or "government approved money" - another name for our cash or currency.

The statement that our currency is legal tender for all debts, public and private, really means only that it is legal tender within the jurisdiction of the United States. It is, of course, not legal tender in Germany, Japan, or any other country unless so designated by that country's laws. Most countries reserve to themselves the right to create what will serve as legal tender within their jurisdiction.

The statement that our currency is legal tender for all debts, public and private, means, among other things, that it may be used for the payment of taxes. This is an essential property of any Government-Created Money. It is hardly imaginable that a paper money not acceptable for the payment of taxes would be acceptable for any other purpose.

The fact that any modern government must stipulate what shall serve as legal tender within its borders is suggested by a quotation from Adam Smith's Wealth of Nations (1776): "Commerce and manufacture can seldom flourish long in any state in which the faith of contracts is not supported by law, and in which the authority of the state is not regularly employed in enforcing the payment of debts." Even the most ardent advocates of laissez faire or deregulation have no wish to get the government out of the business of enforcing contractual obligations.

If, as is the case, a principal task of government is the compelling of the payment of debts, it is essential that there be an officially recognized legal tender. The government maintains courts and other bureaucratic institutions for enforcing the performance of contracts and thus government must specify what constitutes acceptable money in the settlement of disputes.

The $1, $2, $5, $10, $20, $50, or $100 bills are the only forms of legal tender, the only "official money" in the USA today for sums greater than a few dollars although coins may be legal tender when only minor amounts are involved. Suppose that you owe someone $50 and that you offer a $50 bill (or five $10 bills, etc.) as payment of the debt. It must be accepted by the person to whom the debt is owed for the simple reason that it is legal tender. On the other hand, the holder of the debt is not required by law to accept any other form of payment of the debt than legal tender. He or she may be willing to accept some other form, a traveler's cheque or your personal cheque on a bank account (BCM), for example, but is not required by law to do so. Even the certified cheque of a large and well-known bank is not legal tender.

By far the largest portion of all transactions in the USA are made by cheques drawn on the bank account of persons or companies.

Personal or company cheques are ordinarily acceptable to state governments and the federal government for payment of taxes. But cheques are not legal tender; they are promises to pay legal tender, and in the case of most transactions a bank's promise to pay legal tender is as acceptable as legal tender itself.

Now have a look at the reverse side of any denomination of our currency. In addition to finding its denomination shown in several places, you will find it restated that it is money of "The United States of America" and this fact will be reinforced in various ways. The $1 bill depicts the Great Seal of the United States obverse and reverse, the $10 bill shows the U.S. Treasury Building, the $20 bill shows the White House, the $50 bill the U.S. Capitol, the $100 bill shows Independence Hall.

You will also find near the centre of the reverse side of any bill the words, "In God We Trust." Currency that was issued during the Eisenhower Administration of the 1950s was the first to bear this motto and all currency issued since then has displayed it. The motto first appeared on a USA 2 cent coin in 1864 and was soon added to all coins.

Adding the sententious and sanctimonious words "In God We Trust" to our coins and currency was a typical Act of Congress. Members of that august body seldom miss an opportunity to go public with pious sentiments.

I am reminded of the placards in large print that I once saw on the wall behind the cash register of a shop where I had made a purchase. Alongside "NO CHEQUES, NO CREDIT" sign was another in large print: IN GOD WE TRUST, ALL OTHERS PAY CASH.

Coins issued between 1787 and 1864 bore no motto of any sort nor did currency before 1953. However, the nation's first coin, a one-cent piece of 1787, carried the very excellent admonition: "Mind Your Business." Too bad the use of that no-nonsense motto was discontinued.

Whatever the words "In God We Trust" might have been meant by Congress to betoken, they should not be interpreted as meaning that a "Higher Power" or "Providence" watches over USA money and safeguards its purchasing power. On average, a dollar will presently buy only about a sixth of what it would buy when the words were first imprinted on our currency.

How much legal tender had USA government created as of year-end 1994? The amount of Currency Held by the Public (CHP) on that date has already been given as $354.5 billion. But Government-Created Money consists of more than Currency Held by the Public. Its other components are 1) vault-cash held by banks; and 2) other bank-reserves. These two components added up to $64.0 billion in December 1994 and CHP totaled $418.5 billion.

It is worth emphasising here that, although the government had created $418.5 billion by year-end 1994, only $354.5 billion was counted as a part of the money supply. The money supply is defined as consisting of Currency Held by the Public plus deposits in banks. Bank vault cash and other bank reserves, although they are certainly money, are not included in any generally accepted definition of the money supply. The reason for this is to avoid double counting. If, for example, a person deposits $1000 in cash in a bank, it ceases to be counted as a part of Currency Held by the Public and begins to be counted as a bank deposit. If it were also counted as cash held by a bank, the result would be double counting.

IT'S YOUR MONEY by William F. Hixson. Published by COMER (Committee on Monetary and Economic Reform), Toronto, Ontario, Canada. Available from COMER Publications, 3284 Yonge Street, Suite 300, Toronto, Canada. M4N 3M7 Price $10 Canadian, plus post & packing.

William F. Hixson now retired, was for many years a Registered Professional Mechanical Engineer in Kentucky and a managing partner in a successful small business in Louisville. He holds a degree from Oklahoma State University and an Ed.M. degree from Harvard University.


We hope to reprint further chapters from Its Your Money in forthcoming editions of TSC.
BSE CRISIS

The following letter was published in *The Herald* of Glasgow on 9th December, 1997.
Mr. Henderson is a subscriber to *The Social Crediter*.

The grandiose shibboleths which daily proclaim Government policies seem, like a burnished headstone in relation to the corpse below, to hide the awful reality in Britain today. In the words of the late G. K. Chesterton, "Wild things are being received in silence every day. All blows fall soundless on the softness of a padded cell. There is a paralysis, a refusal to respond to the normal stimuli of danger."

British industry has been, by stealthy design, systematically destroyed by those world figures whom Benjamin Disraeli described as very different personages to what is imagined by those who are not behind the scenes. We are reduced to out-bribing foreign manufacturers to set up industry on the ruins of our own, and all for jobs of uncertain duration, foreign industrialists having little social conscience concerning British workers.

Now the very basis of our food production is threatened with destruction. Now, on the very flimsiest of scientific evidence, the beef industry faces further regression to annihilation.

Despite the prevalence of BSE elsewhere within the European Union, only Britain has sustained a worldwide ban on its beef products. So much for the mantra, a level playing field in Europe. When French farmers' livelihoods are threatened they protest vigorously until concessions are forthcoming. When British farmers, in a similarly dire position, protest they are threatened with the full rigours of the law, snarling police dogs included.

In 1969 three papers were tabled at the Bilderberg meeting at Mont Tremblant under the heading, Internationalisation of Business. In these papers it was postulated that the growth of multinational conglomerates would result in the supersession of the power of individual national governments allowing multinational companies to move to where production was most profitable, regardless of national or individual good. The Bilderberg meetings are, in stark contradiction to any definition of democracy, attended by international bankers, businessmen, and influential politicians, and by invitation only. So secret are they that they are never reported in the media, admission of having been there is reluctant and armed police define the sort of security which befits our hidden global masters. From one such meeting last year, Mr. Monks of the TUC returned home a firm disciple of economic and monetary union.

Thus the Government, mere puppets of Disraeli's hidden personages, must conceal the awful truth about our planned enfeeblement and slave status in Europe. Meanwhile it shuffles monies from Peter's arms budget to pay Paul's health service while the family farming industry is slowly destroyed to order.

Should this once great nation be finally awakened from the miasma of global football and the Spice Girls just long enough to appreciate the pitiless, dictatorial, European trap into which our Quisling governments over 40 years have led us, then our national salvation may yet be achieved.

M.M. Henderson.