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THE DEBT-MONEY SYSTEM: ITS ROLE IN SOCIAL, ECONOMIC AND ENVIRONMENTAL BREAKDOWN

A BRIEFING PAPER

"It appears that the commerce of the country would not be in the least impeded by depriving the Bank of England of the power of issuing paper money, provided an amount of such money, equal to the Bank circulation, was issued by the Government: and that the sole effect of depriving the Bank of this privilege, would be to transfer the profit which accrues from the interest on the money so issued from the Bank to the Government."
David Ricardo (*The Works and Correspondence of David Ricardo*, Cambridge University Press, 1951)

1.0.0. **INTRODUCTION**

1.0.1. Much misunderstanding surrounds the "Money Mechanism": how and by whom the money supply is created; what conditions are attached to its creation; how it is injected into the economy; why the total money supply is periodically expanded so that the economy may grow, and why it is periodically contracted with a corresponding contraction of economic activity.

1.0.2. Yet it is the common critical factor in virtually every major socio-economic problem that afflicts the world's peoples today.

1.0.3. It is the major factor in the "economic cycle" and periodic unemployment. It drives the underlying rising trend in technological unemployment. It ensures a continuing commitment to long term exponential "economic" growth with its related damage to the global environment. And it leads inevitably to escalating, and eventually unrepayable, international debt.

1.0.4. It is increasingly important therefore, that the operation of the money system and its socio-economic implications be much more widely understood, not least by those in the voluntary sector who are attempting to ameliorate one or more of the problems it causes.

2.0.0. **MONEY**

Economists define money as a medium of exchange, a "numeraire" or standard unit of account, and a store of value. Its greatest convenience of course lies in the first of these as "anything which is generally accepted in exchange for goods and services."

2.0.1. It need not therefore be notes and coins which most people think of as money and which today are no more than the small change of industry and commerce. Many things in fact have functioned as money - shells, tobacco, beads, salt, hides etc. - and in some societies still do.

inside this issue

2.0.2. Money therefore is not itself wealth. It is a claim on real wealth - ie. it is a claim to some share of the goods and services produced in the economy.

2.0.3. Today in most of the world, money comprises the notes and coins produced by government fiat and bank deposits, or "cheque-book" money, which are created out of nothing by commercial banks.

2.0.4. Of the total money supply in the modern industrial economy less than 5% might be "legal tender" notes or coins. The balance is bank-created money of which banks claim ownership, and which they lend into circulation as interest-bearing debt.

2.0.5. To illustrate the point, we may note in *Hansard*, that in Britain in 1971, "government notes and coins accounted for 14% of the money supply." In March 1997 it was "only about 3.5%" and of the total of £634 billion, created between 1971 and the end of the third quarter of 1996, only £20 billion had been created by government. (1)

3.0.0. **BANKING AND THE MONEY MECHANISM**

3.0.1. Banks create money on the basis of a "fractional reserve" system. That is banks are authorised to create deposits, or "cheque-book" money, by a multiple of their holdings of genuine legal tender notes and coins produced by government.

3.0.2. They are then allowed to issue this "cheque-book" money in the form of interest bearing loans, overdrafts etc.

3.0.3. The mechanics of this process are rarely dealt with comprehensively, and the implications for the operation of the economic system are almost never made clear, in standard economics textbooks.

3.0.4. Orthodox economic textbooks in fact variously suggest:

a) there is in fact nothing magical in the process whereby money is created. (2)

b) the banking system as a whole creates bank money but an individual bank cannot do it alone. (3)

c) even a single bank can create money ... However, this is nothing compared with the money that the banking system can create when they act together. (4)

d) a bank definitely creates more money by its operations ... (and) ... Banking turns out to be a highly sophisticated confidence trick. (5)

3.0.5. However we do find a very clear explanation, at least of the process if not its implications, when we refer to a book, *Elements of Banking*, which is a textbook designed "specifically to meet the requirements of the Institute of Bankers Banking Certificate."

There we note an example where a bank receives "a deposit by Mrs. A of a genuine sum of money, £1000 in notes and coins", and we learn that the possibilites are as follows:

"We can lend £700 since we are keeping 30% of the deposit in liquid form (the authors assume for this example a very conservative fractional reserve of 30%) - this is the simple view of banking."
or
"We can ask ourselves "of what sum does £1000 represent 30%? The answer is £3333.33. **It is therefore possible for us to have deposits of £3333.33 provided we can find the borrowers.** This is the sophisticated view of banking."
(6, emphasis added)

3.0.6. When this individual bank has created money in this way and it is then deposited in other banks these deposits are treated again as reserves on which further money might be created. It is in this way that bank-created "cheque-book" money comes to represent 97% of the nation's money supply and legal tender represents just some 3% (see 2.0.5.).

3.0.7. In fact, although the Bank of England until the 1980s, required banks to keep a minimum reserve ratio of 12.5% this is no longer required. They must instead satisfy the Bank that they are maintaining a "prudent" level of reserves. It is thought probably safe therefore for a bank, operating on a reserve ratio of 10% (the ratio normally used in economic textbooks) and with Mrs. A's £1000 of legal tender, to have total deposits of some £10,000 and therefore lend £9,000 which is of course "totally imaginary money created by the bank"! (7)

4.0.0. **ATTEMPTS TO CONTROL THE BANKING SYSTEM**

4.0.1. Because commercial banks operate in this way, there have been many times, especially while bank deposits had to be backed by reserves in the form of gold, when public confidence in an individual bank's ability to meet demands for repayment of deposits in full has been undermined.

4.0.2. The result was frequently a "run on the bank" by depositers to reclaim their cash (gold) before the bank should fail. Often these panics threatened the survival of the whole banking system and over many years the regulatory powers of the Bank of England have progressively been increased.

4.0.3. In response to such regulation however, banks have "frequently moved abroad to avoid reserve requirements, deposit insurance ... interest rate ceilings ... (but) ... while overseas offices may make banks more profitable ... at the same time they make banks and the banking industry more vulnerable and subject to crisis." (8)

4.0.4. Such crises have continued to be a feature of the post World War II period. Despite government attempts to control the banking system however, the multiple of the money base by which commercial banks actually increase the money supply, depends also on two major factors over which governments have little or no control - the willingness, especially of business and consumers, to borrow and the willingness of banks to lend.

4.0.5. While a central bank may therefore, by its actions alone shrink the money supply, its ability to expand the money supply may be significantly constrained.

4.0.6. Commercial banks on the other hand, have considerable ability to both expand and contract the money supply as their interests dictate. Very importantly they also have the freedom to decide, usually in co-operation with their client corporations, where in the world's economies they may wish to invest or where they might wish to refrain from investing at any time.

4.0.7. Since an increasing money supply is the *sine qua non* of economic growth, private bankers clearly exercise a very powerful influence over the nature, scale and location of economic activity at any time. It may be confidently assumed that it is the interests of private bankers, rather than governments or their peoples, which are most often best served.

5.0.0. **IMPLICATIONS OF BANKS' MONOPOLY OF MONEY CREATION**

5.0.1. If entrepreneurs wish to establish a company for the production or distribution of goods or services, then start up capital is needed.

5.0.2. In some cases it might come from the cash savings of those involved, but in most cases it comes from public investment in equity via the stock market or by bank loans against security. In fact though, it comes in the long-run from the banking system which is essentially the sole source of supply.

5.0.3. As we have seen it comes into circulation as bank credit i.e., as interest-bearing debt. The problem with this is not just that in this way the banks extract a tribute from the community which they have no right to in equity.

5.0.4. It is also that the nature of this tribute ensures the painful instability of the system - to be especially noted in the cyclical nature of modern economies; an imperative to growth and an underlying trend of gathering surpluses of goods and services; of debt in the international economy, and in the ever present prospect of system collapse.

6.0.0. **THE "GROWTH" IMPERATIVE**

6.0.1. A decade or so before the "Great Depression" C.H. Douglas was arguing that in each production period it is not possible for money distributed in the form of wages, salaries and dividends, to purchase the goods produced in that period.

6.0.2. Certainly he agreed that a further and expanded round of production could give temporary relief. But any subsequent round of production must also result, in due course, in a continuing increase in the total surplus stock of goods in the economy and the need for yet a further expansion of production. It was imperative that there be continuous growth if the current finance/economic system were to survive.

6.0.3. To illustrate the proposition we may consider a shoemaker operating on a small scale who, because of the local development of a new industrial estate and related extensive housebuilding, feels that there is now an attractive opportunity for significant expansion of his business.

6.0.4. He estimates that he is currently utilising only 75% of the capacity of his existing plant. With the addition of one extra worker and an increased input of materials he is sure that he can use his plant to its full capacity and sell all his increased output.

6.0.5. He approaches his bank manager for loan funds of £50,000 to cover the annual costs of the extra worker and the purchase of new materials. After discussion and on security of his house, a loan of £50,000 (created as we have seen "out of nothing") is granted on the basis that it is repaid over five years at 10% per annum interest.

6.0.6. In the first year therefore the shoemaker must price his additional output of boots and shoes so that collectively they bring in £50,000 of revenue to cover his first year expenditure.

6.0.7. However he must also repay in the first year £10,000 of the loan plus £5,000 interest to the bank. He may want a small profit too even in his first year, let us say 2% or £1000. The additional output therefore must be priced collectively at £66,000.

6.0.8. But the bank when it created the new money in the form of the loan of £50,000 did not create any new money with which to repay interest or allow for the shoemaker's profit.

6.0.9. Without considering other contributory factors there is clearly in the economy a shortfall of consumer purchasing power of £16,000 (£66,000-£50,000) and boots and shoes, or other goods to that value, cannot be sold in the same production period. This condition occurs simultaneously in firms throughout the economy.

6.1.0. Douglas maintained that the problem of gathering surpluses might be dealt with, in the short term, by exporting them; selling them below cost as in bankruptcy; by deliberately wasting them as in dumping; by borrowing against future income or by instituting a further round of production involving the release of wages and salaries in the current period while the output, in the form of goods or services, is not marketed until a subsequent period.

6.1.1. Douglas's wider analysis was dismissed by vested interests and by most orthodox economists. But in the 1930s, and before the triumph of the Keynesian revolution, much of what he said was supported by Economics Professors Irving Fisher and Henry Simons in America.

6.1.2. Today William Hixson also agrees that "In every time period there must be thrown into circulation not merely the costs of production of what is produced and marketed but the costs of new investments ... (which) ... thus bring about an increase in aggregate demand and these must, obviously, be of such a nature that during the time period in question they yield ... no increase in marketable output. They must be investments such as require a "construction period" ... before they become productive." (9)

6.1.3. In Europe the Franco-British Channel Tunnel project is a powerful example of the Douglas/Hixson proposition.

6.1.4. Unremitting growth and related environmental damage is therefore, within the framework of the current debt-money system, simply unavoidable.

7.0.0. **DEBT IMPERATIVE AND THE ECONOMIC CYCLE**

7.0.1. **Gathering Debt**

7.0.2 As we have noted a critical element of the fractional reserve debt-money system - interest on bank-created debt - ensures that without continuous growth the system cannot survive. For, *inter alia*, when banks create money to lend they do not create any money with which the related interest can be paid.

7.0.3. Only further borrowing for further production can offer even the potential that interest might be paid.

7.0.4. The result is that the system's potential survival requires continuously escalating levels of total international debt which affect every sector of society - local and national governments, business and commerce, and consumers. It also ensures the cyclical instability of international economies.

7.0.5. **The Economic Cycle and Related Debt**

7.0.6. As these debts and related interest rise inexorably on an international basis they eventually become so large, as do surpluses of goods, that further growth of debt and output becomes impossible. The call goes out first for greater efforts to "capture" export markets.

7.0.7. Then banks, fearing the prospect of large scale debt repudiation, begin to call in their private sector loans or lay claim to the associated "securities".

7.0.8. Pressure is brought to bear on governments to cut borrowing and reduce deficits in order to "beat inflation" although in circumstances of large scale unemployment and massive surpluses of unsold goods, any inflation is more likely to be related to debt, and interest on debt, than an "overheating" economy.

7.0.9. The result is cuts in social welfare and public services, reductions in infrastructure projects and/or increasing taxation.

7.1.0. The money supply shrinks and unemployment and poverty levels rise. So too does homelessness, crime, drugs trafficking, and other effects that lead to a loss of general social cohesion.

7.1.1. We follow the cycle into its recession phase. No matter that there is available a plentiful supply of labour, raw materials and productive machinery, to do what is both desirable and physically possible is no longer "economically possible" since "there is no money".

7.1.2. There is no money because bankers, out of concern for their own assets and at times from fear for the survival of their system, have dictated that there is to be no money.

7.1.3. In due course however, as surpluses begin to decline and some debts are cleared via bankruptcies, sale of collateral, bank bail-out at taxpayer expense etc., it is essential for the survival of the system that growth be resumed and the recovery phase of the cycle begins.

7.1.4. Despite the resulting economic and social havoc, and notwithstanding the run down of surpluses, the temporary reduction of private indebtedness by repayment of loans and/or transfer to the banks of assets previously offered as collateral against loans, or by loan write-off, the total of underlying debt simply continues to grow unremittingly.

7.1.5. In the UK, Central Government debt was 42.4% of GDP in 1976 and in 1994 it remained at that level despite debt repayment as government amassed huge revenues from the sale of public assets during the 1980s and early 1990s.

7.1.6. The annual interest payments due on this debt grew from £4,449million to £21,334million in the same period.

7.1.7. Meanwhile outstanding consumer debt also grew from £3,433million to £58,334 million or from 2.7% to 8.7% of GDP.

7.1.8. By the early 1980s levels of Third World debt had grown so great that many of the major debtor countries announced that they simply could not service their debts and would be forced to repudiate them.

7.1.9. There was widespread fear that the global banking system would collapse. In due course banks used again their immense power to influence governments and there followed another great "bailing out" of the bankers at taxpayer expense.

7.2.0. Using World Bank data for selected OECD countries John Denholm was quoted in *The Debt Boomerang* suggesting that "quite literally in the period from 1987 until mid-1990 taxpayers of North America and Europe provided their banks with a rock bottom figure of **$40billion in tax relief**". (10, emphasis added)

7.2.1. More recently the US government, along with the IMF, transferred $47.5billion to bail out major US banks, such as Chase Manhattan, which had been "exposed" by their speculations to the Mexican currency crash in 1995. (11)

7.2.2. Little wonder therefore that international economies are again in deep recession and a massive debt repudiation again threatens. Meanwhile Western governments of every political persuasion are under severe pressure from their financial mentors to make swingeing cuts to public services, reduce their borrowing requirements and/or increase taxation so that they might "balance their budgets".

8.0.0. **THE ESSENTIAL REMEDY**

8.0.1. If the inevitable impacts of the current debt-money system that drives international economies, and which points to its own eventual breakdown, are to be mitigated there must be radical reform. It must begin with reform of the present debt-money system.

8.0.2. The current authority granted to private banks to create money must be withdrawn.

8.0.3. The authority to create the nation's money supply must be restored to the state, via some National Monetary Authority, but with suitable safeguards to prevent any prospect of manipulation for party political purposes.

8.0.4. Such Authority would have the responsiblity for ensuring that the money supply matched, as precisely as possible over time, the potential of the economy to produce goods and services and the community's expressed desire that they should be so produced. Any tendency to inflation would therefore be checked.

8.0.5 Specific and detailed proposals for such reform of the money and banking systems were advanced in the 1930s by Professors Irving Fisher (America's "greatest scientific economist") and Henry Simons . They are still relevant to the debate today.

8.0.6. In this context it should be noted too, that within the Canadian Parliament's Act establishing the Bank of Canada in 1935 arrangements for such reform were included.

8.0.7. They were applied with great success until the late 1960s when, under pressure from private banking interests, they were subsequently and progressively dropped from use, although related powers entrenched in the Act have not been amended.

8.0.8. Today there is a growing range of non-governmental organisations round the world who recognise the need for radical change to the economic system.

8.0.9. Some of the most influential, such as The Committee for Economic and Monetary Reform (COMER) in Canada, already include in their proposals for change, transfer of the power to create the nation's money supply back to the state. In Canada this would be implemented via the Bank of Canada on the basis of these arrangements established and still extant in the Bank of Canada Act.

8.1.0. In the UK there are proposals for the creation of a **Global Economic Reform Campaign** which has as one of its key objectives such reform of the fractional reserve money system.

8.1.1. Its potential for success will depend significantly on the degree to which the voluntary sector recognises, and responds to, the primary role the monetary system plays in the socio-economic problems which are their principal concern.

Notes

1. *Hansard*, Vol. 578, No. 68, columns 1869-1871. Also see *The Social Crediter*, Nov-Dec 1997, p. 41.
2. P. & R. Wannacott, *Economics*, (1990, 4th edition), p. 195.
3. P. A. Samuelson & W. D. Nordhaus, *Economics*, (McGraw-Hill, International Edition, 1989, 13th edition), pp. 238-241.
4. D. Begg, S. Fischer & R. Dornbusch, *Economics*, (Maidenhead, England: McGraw Hill, 1987, 2nd edition), p. 489.
5. P. Donaldson & J. Farquhar, *Understanding the British Economy*, (London: Penquin Group, 1988), pp. 200-201.
6. J. Hoyle & G. Whitehead, *Elements of Banking*, (Oxford and London: Butterworth & Heinemann, 1989), pp. 19-22.
7. G. Whitehead, *Economics*, (Oxford & London: Butterworth & Heinemann, 1992, 14th edition), p. 369.
8. M. D. Levi, *International Finance*, (McGraw-Hill International Edition, 1990, 2nd Edition), pp. 280-281.
9. W. Hixson, *A Matter of Interest: Re-examining Money, Debt and Real Economic Growth*, (Westport, Conn., London and New York: Preagar, 1991), p. 19.
10. S. George, *The Debt Boomerang*, (London: Pluto Press, 1992), pp. 82-83.
11. A. Cockburn & K. Silverstein, "War and Peso", *The New Statesman and Society*, 24 February 1995.

book *review*

The Political Economy of Social Credit and Guild Socialism
by Frances Hutchinson and Brian Burkitt

(Routledge Studies in the History of Economics, 1997) Published simultaneously in UK, USA and Canada.
H/B £45.00 (UK), 208 pages.

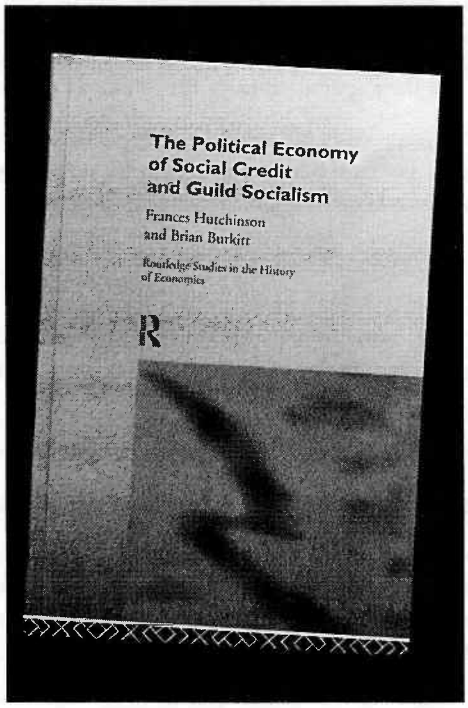
Reviewed by Alan Armstrong

The Social Credit analysis of the economic system, and the related mechanisms proposed for its radical change, have generated enormous international interest and support. This was especially true during the 1920s and 30s, when they were "widely debated and well read by orthodox economists who often adapted the theories for their own purposes". They also generated much hostility and misrepresentation which have hardly ceased to recur, over the last sixty odd years, whenever interest in Social Credit has been revived.

Yet the fact is that the Douglas/New Age texts accurately anticipated, and prescribed a practical remedy for, the desperate socio-economic failures that were to plague us in the 1930s. And as we re-run that experience at the close of the century, they continue to give clear guidance on how system failure might be corrected and how its related impact on the world's peoples - mass unemployment, social breakdown, Third World poverty, debt and environmental degradation - might be greatly mitigated.

This book, and the subjects of its analysis and review, are therefore as important and highly topical today as they were in the 1920s and 1930s.

Part 1 of the book puts The Douglas/New Age Texts In Historical Context and shows how the social credit movement of the 1930s was the product of "collaboration between Alfred Richard Orage and Major Clifford Hugh Douglas." It was a collaboration in which the guild socialist, Orage played a "central role in the development of social credit theory" and made a significant input to some of the major texts including *Economic Democracy* (first published in *The New Age*) and the Draft Scheme for the Mining Industry.



The authors note in fact that the term "social credit" first emerged in 1920 when Orage referred to it in his explanatory notes to Douglas's Draft Mining Scheme. There he suggests "We are not accusing the Financial Power of malignant hostility to society ... (but) the effect is inherent in the separation of Real Credit from Financial Credit - Social Credit, that is to say, from Financial Credit privately controlled".

Guild socialism's origins are traced to the work of William Morris and John Ruskin and the significant influence of "the co-operative ideas of Robert Owen ... Penty's medievalism, political pluralism ... and a Fabian belief in reformism as a means to social justice."

It was concerned with ending "the commodification of labour, whether under a capitalist or collectivist state" and with "the recovery of initiative by the ordinary worker, his release from bondage to base purposes of profit and his achievement of complete and responsible industrial democracy." It was also however, more comprehensively about the search for economic democracy as a means to a "classless society, rather than for industrial democracy for the working class alone."

Orage was a leading exponent of guild socialism but by 1918 he was nevertheless convinced that the idea of National Guilds was "wanting in some vital parts." He was also sure that the "problem lay in the relation of the whole scheme to the existing, or any prospective system of money." At his first meeting with Douglas therefore he detected immediately "the relevance of Douglas's approach to his own search for an alternative economic and monetary theory to support his guild socialist ideas."

The result was the hugely productive collaboration between Orage and Douglas until 1922 and the product of this collaboration was the Douglas/New Age texts which "provide a unique combination of theoretical arguments for social justice with practical proposals for the necessary reform."

However, as the authors note, "In neoclassical theory time and money do not exist." The revolutionary analysis of the Douglas/New Age economics therefore "appeared incompatible with economic orthodoxy based on the assumptions underlying general competitive equilibrium ... (and) ... in raising the question of the relationship between finance and the processes of production, distribution and exchange, **the Douglas /New Age texts questioned the very basis of general equilibrium theory**". (emphasis added) Douglas was proposing that decisions about which commodities ought to be produced should not be made on purely financial grounds, but should instead rest in the hands of the community rather than with banks.

That Douglas had something very important to say was increasingly recognised and he was duly invited to give evidence to the Select Standing Committee on Banking and Commerce of the Canadian House of Commons in Ottawa in 1923 and to the Macmillan Committee on Finance and Industry which reported in 1931.

Yet there continued to be general opposition from orthodox economists to his underlying theoretical arguments, especially to his A+B Theorem which explains the source of the observed chronic shortage of consumer purchasing power, and his related practical proposals for a National Dividend and a Just Price mechanism.

There was however, just as determined opposition from a quarter that might have been unexpected - the British Labour Party.

"In 1922 a committee appointed by the Labour Party reviewed The Douglas/New Age Scheme and concluded that it was "out of harmony with the trend of Labour thought" despite the fact that Douglas, Orage and many guild socialists were of the view that the economic framework of the texts were "in close accord with a socialist critique of capitalism."

In 1921 a sub-committee of the Scottish Labour Advisory Committee, after discussion and a favourable response to Douglas's proposals, requested that the Labour Party executive formally consider the Douglas Credit Scheme (ie. specifically his Draft Scheme for the Mining Industry).

However the authors note that the composition of the Labour Party sub-committee which met to discuss the proposals, its method of approach and the perfunctory nature of its report, supports the conclusion that "the executive of the Labour Party never intended to give the proposals serious consideration."

The resulting 1922 report, *The Labour Party and Social Credit*, rejected the Scottish Labour Advisory Committee's view that the matter of bank credits were one of the main constituents of prices and that the issue of credit and fixing of prices should come under community control.

Douglas's response was to "examine the report in detail, paragraph by paragraph, pointing out the misleading paraphrases which add up to a parody of the original texts" and he concluded that the report "demonstrates that worker control over policy and conditions and an 'incomparably wider outlook on life' were, in the words of the report, fundamentally opposed to the principles for which the Labour Party stands."

However in 1935, when the popularity of Social Credit was at its height, the Labour Party considered it necessary to publish another report entitled *Socialism and Social Credit*, the two principle authors of which were Hugh Gaitskell and Evan Durbin.

The report made no reference to the guild socialism element in Social Credit (supporting community rather than state control of the production process) but concentrated on dismissing, on the basis of the standard mis-interpretation, the financial technicalities of the A+B Theorem and the Just Price proposals.

Despite this concerted attack by the Labour Party, by now deeply concerned that the popularity of Social Credit might adversely affect its chances of election, the Social Credit Movement continued to grow in size and influence. It failed however "to throw up a cohesive series of leaders capable of translating the Douglas/New Age texts into effective policies."

Nevertheless, Labour Party concern is perhaps easy to understand since, between 1929 and 1935, Douglas toured the world in response to invitations to speak in Tokyo, Norway, the USA, Canada, New Zealand and Australia. In Australia, 12,000 inside and 5,000 outside Sydney Stadium and an estimated million radio listeners heard him speak and in America some 90 million listened to his coast to coast broadcast. And by 1935, the number of active Social Crediters around the world had grown to many tens of thousands.

However, just three years later as "armaments production and the general stimulation of the economy in wartime" rapidly diminished levels of unemployment, and with the impact of Keynes's General Theory, economic orthodoxy re-established its dominance. Social Credit was condemned by its opponents as "Economic Heresy" and Douglas as a "crank". Yet the authors of this book are quite clear that: **"From their inception within guild socialism, the Douglas/New Age texts raised questions which remain relevant at the turn of the twentieth century. They provide an early exploration of the potential for a co-operative, local, 'steady state' economy in which industrial production, the arts, sciences, politics, learning and caring professions are freed from the artificial restrictions of capitalist finance ... (and) ... Following over half a century of neglect, these texts possess the potential to provide the basis for a new economics of co-operation.**" (emphasis added).

It is surely time therefore, that the Social Credit analysis and prescription for radical change be seriously re-visited by economists, politicians and people. ***The Political Economy of Social Credit and Guild Socialism*** is a splendid contribution to that process.

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Alternatively, the publishers, Routledge, can be contacted at 11 New Fetter Lane, London, EC4P 4EE.

Frances Hutchinson has published academic papers on social credit, environmental sustainability and feminist economics. She is a member of the European Association for Evolutionary Political Economy and is attached to Plymouth Business School and the University of Bradford. She is author of *Environmental Business Management* (1997).

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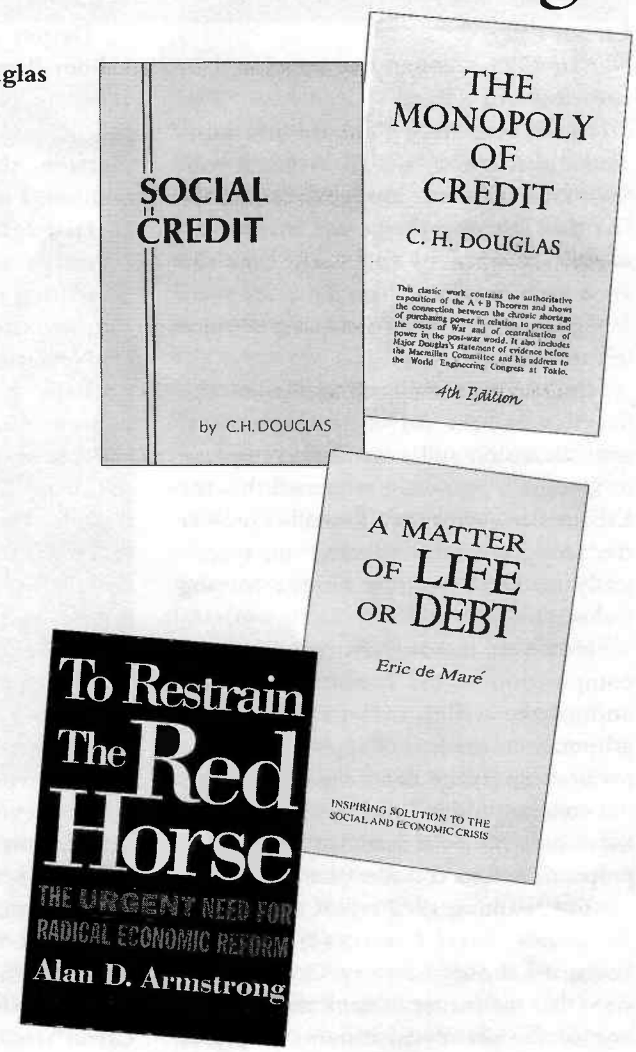

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