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MONEY AND THE PRICE SYSTEM

By C.H. Douglas

A speech given at Oslo on 14 February 1935 to H.M. The King of Norway, H.E. The British Minister, The President, and Members of the Oslo Merchants Club.

It may strike readers as remarkable, that the socio-economic problems with which we are only too familiar today - "unemployment" and poverty, environmental stress, debt and social breakdown, globalisation - are so similar to those which were central to the theme of C.H.Douglas's speech in Oslo as long ago as 1935, and which still troubled the members of the Congregational Union of Scotland in the late 1950s and early 1960s.

In this speech by Douglas and the Report of the Congregational Union of Scotland (both serialised in this and subsequent issues of TSC), which reflected so much of the Douglas analysis, it is possible to understand why this is so and, more importantly, to distinguish the fundamental reform needed before resolution of these problems can become possible.

Your Majesty, Mr. President, Members and Guests of the Handelsstands Forening, Oslo: May I first of all thank you for your very kind reception to-night and at the same time take this opportunity of thanking Norway, so far as I have met it, for the exceptionally kind reception which it has given me ?

If anything could add to the sense of responsibility which I have in speaking before so distinguished an audience, it would be the necessity of repaying that kindness by saying nothing to you which I, at any rate, do not believe myself.

Now there is, of course, in the world a good deal of discussion in regard to what we shall call the crisis, matters of unemployment, the economic depression and other names we give to our present state of affairs. I feel, myself, having been in close contact with this matter for the past fourteen or fifteen years, that a great deal of misunderstanding which surrounds the various proposals made for dealing with this crisis arises from an unfamiliarity with the actual system, and more particularly the monetary system, under which we live at the present time. I feel confident that the objections put forward to certain remedial proposals are honest objections, but that they are based, not so much on anything which is contained in those proposals, as on an honest misunderstanding of what really happens in the world at the present time. Therefore I am going to ask you to bear with me while I go over certain features of the

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existing state of affairs and the misunderstandings which are connected with it.

It is said that where six economists are gathered together there are seven opinions. That is, to some extent, the situation, I think, all over the world. The only alternative to agreeing that this is so would be to assume that nine people out of ten are dishonest, an assumption which I certainly am not willing to accept. The situation is complicated by a large number of phrases - I don't know whether you have them in Norwegian but we have them in English - but they are misleading. For instance, we hear, or we did hear in the happy days gone by, that, let us say, Mr. Jones was "making money." Mr. Jones was a bootmaker or a brewer, or something of that kind, or a manufacturer of motor cars.

HOW MONEY IS MADE

Now the first thing I think that we have to recognise - a thing which is quite incontestable - is that there are only three classes of people in the world who make money, in any literal sense of the word. In Great Britain, for example, there is the Master of His Majesty's Mint, who makes metal coinage, and, after a long and honourable career, he generally gets a little bit of red ribbon - a Knight Commandership of the Bath - and a good salary. There is the gentleman who sets up a little plant of his own and either makes counterfeit coins or writes very delicately executed signatures on pieces of special paper. He "makes" money, but he gets as a reward fifteen years imprisonment. There is the third who, in regard to this matter, is much less advertised and much more retiring, and that is the banker, and it is he, in the literal sense of the word, who makes over 90 per cent. of the actual money that we use. **When I say "makes it" I mean exactly what I am saying ; he makes it in exactly the same sense that the brickmaker makes bricks, and not in the sense that Mr. Jones makes money; Mr. Jones only gets it from somebody else, but the banker makes it.** (emphasis added)

The method by which the banker makes money is ingenious, and consists very largely of bookkeeping.

There is not, I think, in well-informed circles really any discussion in regard to the matter itself. Chairmen of some of the big English banks still deny that bankers make money in the sense that I mean, but I don't think anybody pays much attention to them. The "Encyclopaedia Britannica" which most people accept as a fairly sound and reputable authority, states that "bankers create the means of payment out of nothing". The Chairman of the Midland Bank, the Right Honourable Reginald McKenna, put the matter as shortly as I think it can be put when he said that every bank loan creates a deposit, the repayment of every bank loan **destroys** a deposit; the purchase of a security by a bank creates a deposit and the sale of a security by a bank **destroys** a deposit.

There you have, in as short a compass as possible, a quite undeniable statement of where money comes from. All, but 0.7 of one per cent. (or over 99per cent.), in Great Britain at any rate, of the money transactions - without which none of us under modern conditions could exist - are in the form of "bank credit", which is actually manufactured by the banking system and is claimed by the banking system as its own property. That is undeniably because the banking system **lends** this money (it does not give it), a condition of affairs which will be accepted by anybody as sufficient proof of a claim to ownership.(1)

Over against that, you have the manufacturer of real wealth, by which I mean things which money will buy, clothes, houses, motor cars, the things that go to raise the physical standard of living, and embroider our civilisation. We realise, I suppose, without having it emphasised too much, that the possession of money is a **claim** upon real wealth: some of us who have not gone into these matters for any length of time are still hypnotised into thinking that money **is** real wealth. I am sure, in an audience of this calibre, it is not necessary to emphasise this: money is **not** real wealth. Now classical economics is based unquestionably, in my opinion, on "barter" economics, and this is where the classical economics parts with what we are beginning to call the new and, in my opinion, the real economics.

MONEY NOW AS A MEANS OF DISTRIBUTION

The classical economics works on the assumption that the nature of money is that it is a medium of exchange. That idea proceeds from a state of affairs which was, at any rate broadly speaking, true perhaps 200 years ago. It was the assumption that in some sense or other, from the highest to the lowest, everybody worked, and that they exchanged or bartered the fruits of their work with each other through the medium of money, so far as it was used. The idea was that you had a constant exchange of goods and services between, let us say, A, B and C; and the whole of the classical economics is really based upon that idea, that we are all of us producers and consumers in the economic sense, and that the function of money is to exchange between ourselves the goods and services which each of us produces.

Whatever may at one time have been the truth of this, it is, of course, patently not true now. The modern economic production system is not a system of individual production and exchange of production between individuals. It is more and more the synthetic assembly, in a central pool, of wealth consisting of goods and services which are preponderatingly due to the use of power, to modern scientific processes and all sorts of organisations and other constituent contributions of each one of us which will occur to you. The problem is not to exchange the constituent contributions of each one of us to that central pool, because in fact our contribution to that central pool, in the ordinary sense of tangible economic things, is becoming smaller and smaller.

The correct picture - the incontestably exact picture of the modern production system - is, to my mind, based upon a kind of typewriter with a decreasing number of operators who are tapping the keys, and, by tapping these keys, fewer and fewer operators can produce all that we require. Through the power of the sun (oil power, steam power and so forth consist of what is generalised as solar energy) the so-called curse of Adam is being transferred from the backs of men to machines, so that a small number of persons operating on this machine of industrial "production", can produce all that is required for the use of the population. And the problem is not to **exchange between** the number of the population, who are less and less required to push keys, but it is to **draw from** this central pool of wealth by means of what can be visualised as a ticket system.

And the modern money system is in fact losing almost daily its aspect, however much it may at one time have been true, of a medium of exchange, and is becoming more and more a ticket system by which people, who are not exchanging their production, can draw from that central pool of wealth.

That I believe at bottom to be the fundamental cleavage between, let us say, my own view and those who think with me, and the school of classical economics.

PRICE SYSTEM NOT SELF REGULATING

Now when it was true that money was a medium of exchange and that everyone was more or less employed in a productive system, it was quite obviously true that the price system was what is called self-liquidating. I must ask you to allow me to elaborate this a little, as it is very vital. It is perfectly obvious that if I make a pair of shoes and charge Kr.10 for them, the amount which you have given for those shoes has in a sense been distributed; it has come to me as an individual and I am able to spend that Kr.10 on buying ten kroners' worth of things, say five kroners' worth of leather and five kroners' worth of bread. The fact that the system is self-liquidating, that it will go on working more or less indefinitely is self-evident; and this is the assumption of the classical economists, one to which they adhere strenuously for reasons which I shall want to touch on. It is not too much to say that the whole economic and financial system in its present form stands or falls by the contention that the present price system is self-liquidating, that is to say, that no matter what price is charged for an article, there is always sufficient money distributed through the production of that or other articles to buy the article and therefore there is nothing inherent in the system, so far as the price system is concerned, to prevent the process going on indefinitely.

Now I am not going into the analytical proofs of the fact that this belief is not true, although rigid proofs to this effect exist, but I will ask you to consider the quite indisputable inductive proofs. I will ask you to consider what you see in the world, which leads you to assume that the price system is not self-liquidating. There is, of course, that somewhat overworked phrase, the paradox of "Poverty amidst Plenty." In his lecture here in Oslo the other day, the Dean of Canterbury spoke of the enormous quantities of valuable foodstuffs, production and so forth, for which there is everywhere a great demand and for which there is no purchasing power.

There are many instances of that kind. Some of them are less obvious than the mere brutal destruction of products. The fact that half the factories are semi-employed and that farms are decreasing their production, that in America the supply of cotton on account of so-called over-production is being restricted, would in itself suggest that there is not sufficient purchasing power to buy the goods which are for sale, at the prices at which they are for sale. But what is said by the classical economists, is that there are times in which such a state of affairs exists, but that these times are only temporary. There are times which we call depression; but it is just as true, they say, that in times of boom there is more money than is required for the purchase of goods, as that in times of depression there is less money, and that on the average the system is perfectly automatic and self-liquidating.

THE PHENOMENAL INCREASE IN DEBT

Now there is one proof I think - one inductive proof - which puts this question beyond any discussion whatever and that is the question of the rise of debt. It must, I think, be quite obvious to anybody that if the world as a whole is consistently getting further and further into debt, it is not, as the ordinary business man would say, paying its way, and if it is not paying its way it is quite obvious that the price system demands of it more purchasing power than is available. The public is paying all it can, and buying what it can of the total production. The failure to pay more is therefore forcing the destruction of some of it and at the same time it is piling up debt, which

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means that, to be self-liquidating, the purchasing public ought to pay a great deal more than it is in fact paying.

If I as an individual require, let us say, 10,000 kroners' worth of goods per annum, and, while getting that 10,000 kroners' worth of goods per annum, I get into debt to the extent of 10,000 kroner per annum, then it is quite obvious that the real price which I ought to be paying - in order that the system could go on for ever - is Kr.20,000 for what I am getting for Kr. 10,000 and borrowing Kr. 10,000 to pay in addition. If you are running up a debt continuously you are not paying your way. The real price that you are being asked to pay for the things you use in your daily life is what you do in fact pay, plus what the system says you ought to pay; and what you ought to pay is the debt.

In the year 1694 the Bank of England was formed in Great Britain, and I am very sorry to say that there are grave suspicions that the Bank of England has a great deal to do fundamentally with the present state of affairs, and that the system that was unfortunately inaugurated at the time of the founding of the Bank of England has probably more to do with the present crisis than any other single factor. In the 17th.century, that is to say, in the century in which the Bank of England was founded, the world debt - and we have pretty accurate figures with regard to these matters - increased 47%. The bank of England was founded only at the end of the 17th. century.

By the end of the 18th. century the world debt had increased by 466 per cent., and by the end of the 19th.century the world debt, public and private, had increased by 12,000 per cent.; and, according to some very exact calculations which have been carried out by a quite irreproachable professor of industrial engineering of Columbia University, Professor Rautenstrauch, taking the year 1800 as the origin and taking one hundred years as the unit, the world debt is now increasing as the fourth power of time, that is to say, not increasing directly as time goes on, not as the square of time and not of the cube of time, but as **the fourth power of time**! And that is in spite of the numerous repudiations of debt, the writing down of debts which takes place with every bankruptcy, and other methods used to write off debts and start again.(emphasis added)

That to my mind, and to anybody who will appreciate what its real meaning is, is an indisputable proof that the present financial price system is not merely not self-liquidating, but is decreasingly self-liquidating. We also know that in fact, in those times of boom which are referred to by economists as proving that it is self-liquidating, the rate of increase of debt is greater than in times of depression. So that in reality, even in times of boom, there is no justification for saying that at any time of the trade cycle, the price system is self-liquidating.

Now that matter is very important indeed. When I was in Australia last year on a short visit to most of the Australian States, you could go into any bank in Australia and they would give you Kr.4 worth of very nicely bound books to prove that anything I said on this subject was nonsense. The arguments used to emphasise the self-liquidating theory were, some of them, so childish and absurd that they were rapidly withdrawn. Of course it might be asked, **Why** this resistance to the idea that the price system is not self-liquidating? And if it can be proved, as it can be proved, that it is not self-liquidating, why not accept the fact and act upon it? The answer is twofold.

The first reason is that, if it is true that there is always extant sufficient purchasing power to buy goods, then it must be true that the poor are poor because the rich are rich, and it follows that the correct method of dealing with the present situation is to tax the rich in order that the money be given to the poor.

Now I am not familiar with, and I should not, of course, presume to comment upon, the public finances of Norway, but, so far as Great Britain is concerned - taxation in Great Britain is, I think, twice as heavy as that in any other country in the world - more than half of its taxation is in connection with what are called national debts, war loans, consols and things of that kind. If you investigate the facts as to the ownership of these world debts and war loans you will find them preponderatingly held by large financial institutions. You have at once a very good business reason for large quantities of taxation if half of it goes to the service of national loans, which are held by large financial institutions. That, as an ordinary business proposition, is obvious. It is still more obvious when you consider that these debts were actually created in the first place by financial institutions, by the lending of that money to governments, and the receiving in return of large blocks of national securities which the financial institutions receive for nothing.

Note:
1. The only "legal-tender" in Great Britain is coin and banknotes of which at the date of this address perhaps £200,000,000 is in circulation, and about the same amount is in the banks. The bank clearings amount to about £39,000,000,000 per annum.

(To be continued in May/June issue: THE MONOPOLY OF CREDIT, NATIONAL DIVIDEND and JUST PRICE)

QUOTE
"The hinge of the whole situation was this: the government itself was not to be the substantive power in matters of Finance, but was to leave the Money Power supreme and unquestioned."
Prime Minister, W.Gladstone, 1852

YOU CANNOT EXPECT AN EGG TO CROW

By Frances Hutchinson

TITANIC

In the closing years of the twentieth century Betsy Taylor commented: "It's interesting that the greatest blockbuster movie we have at the moment is Titanic. On some level I think it captures the story of our times: high living in the moment. Tremendous faith in technological fixes. Denial of warnings. Repeated avoidance of signs of trouble. A final catastrophe. This seems to be a story that deeply resonates with people in the late 20th century." Despite repeated warnings, from the days of Douglas and Orage in the early 1920s to the present, and a wealth of information technology, there seems to be very little to be done, apart from waiting for the inevitable crash to happen.

TRAPPED!

In theory, as we move into the twenty-first century, technological progress offers the potential for unlimited production, ushering in the age of leisure. In practice, we are in the age of over-production, over-consumption and over-work. As Juliet Schor has shown, people in the US feel trapped into the "work-and-spend" cycle. In researching her book, The Overworked American, Juliet Schor was asked repeatedly how to escape from the cycle. If they stop working on terms dictated by their employers, and try to spend more time on their homes and families and less on consumer goods, they find themselves without any income at all. Ecologically and psychologically degrading though the situation is, most families in the US remain dependent upon an income from an employer. Sixty per cent of families could maintain their standard of living for only one month if their income disappeared, and a further twenty per cent could maintain it for only three months. "That means that 80 per cent of the population is living at an incredibly high level of economic insecurity every day, whether or not they're consciously aware of it." The situation is much the same throughout the so-called 'developed' world. Decade by decade throughout the twentieth century, "useless, wasteful and degrading employment" (Wealth: A Christian View) has produced food surpluses, masses of tawdry consumer goods and ecological degradation on an unprecedented scale.

APOCALYPSE

Nevertheless, as Adrian Hastings, emeritus professor of theology at Leeds University has recently observed, in the absence of a change of heart, people will look back on the final years of the twentieth century as "a blissful era of security and peace". It is very likely that the whole ecological balance of the world will change on lines already predicted. As food chains and habitats are altered, with land, water and other vital resources becoming scarce, the economy will be changed beyond recognition. As mature adults, babies born today will, be "cursing Tony Blair and his entire political generation world wide for doing so little to diminish the advance of global warming when something was still possible". Furthermore, Hastings concludes, "they will mourn the blindness of their parents who played the fool so spectacularly with millennium domes while the world's forests were cut down and motor cars proliferated".

AGE OF LEISURE?

The first step is to question the very notion of progress from a barbarian past to a civilised present. A key reason for the Douglas' failure to maintain the middle ground in politics was his understandable inability to clarify the relationship between his faith in technological progress and his notions of sufficiency. As an engineer, he foresaw the end of routine, heavy and degrading work, heralding an age of leisure. However, in later years Social Credit appeared more closely affiliated to consumerism, a deceptively easy means of enabling people to have everything they wanted, than to the artistic and spiritual aspirations and a concern for nature. These concerns can be traced through from the work of William Morris to that of the Soil Association today. In the absence of an understanding of its underlying philosophy, Social Credit became a sitting target. If people had a National Dividend, who would do the routine work? Certain tasks could not be mechanised, and the machines themselves would have to be maintained. Looked at in that way, the later Douglas appeared to have no convincing answers.

On the capacity of technology to throw people out of work, Douglas' early work was clairvoyant. In the current issue of New Internationalist (No.320) Wayne Ellwood quotes from his local paper: "Sony Corporation shares surged 8.9 per cent yesterday after it announced plans to cut ten per cent of its work force and close about a fifth of its factories over four years", throwing 17,000 people out of work. "Could anything be clearer about the screwed-up priorities of the global economy?" Elwood asks. "Close factories, put people out of work and watch your stock value soar." Pertinent though these questions may be, however, work still has to be done. How work is to be organised, and what forms it might take, are key questions which monetary reform alone will not solve. Meanwhile, the present system works fine for the 'powers that be'. Hence they will not (to borrow a phrase from Susan George) suddenly slap their foreheads and capitulate to demands for change. It is worth examining the present situation a little more closely.

THE NOTION OF PROGRESS

"You can't stop progress!" "Change is inevitable!" "It's no good being behind the times!" Although these empty phrases have become everyday clichès. They mean very little. What would happen if we got left behind? Where is everybody going? The world is labouring under an illusion of progress. Apparently, farming and the agricultural revolution meant that humans did not need to rely on nature any more. Then came the industrial revolution, which abolished work, while providing all the goods for everybody's needs. Now the technological revolution offers instant communication across the world, freeing people from dependence upon the local community, as the printed word failed to do.

In the future "we" will have no work to do, except to call up all our desires from the magic chip. There may be problems for some. If labour is now a commodity, it can be bought cheaply if there is plenty of it. So work goes to those who will receive least for doing it. The technological revolution enables 'us' to locate them instantly - all 1 billion of "them", in the poorest countries. UK student loans are processed in Sri Lanka, air line tickets in India and so on. Meanwhile, the declining industrial communities in the so-called 'developed' world face mass unemployment.

But, not to worry. As a recent chat show guest commented on Radio 4 recently, "The good thing about the technological revolution is that my kids won't have to work in factories, down the mines or as farmers. They'll use their brains." When "the machine stops" (a reference to the EM Forster short story of that title) they will indeed need to use their brains to discover where their next meal is coming from. That such catastrophic failure to engage in joined-up thinking can be broadcast in all seriousness indicates how little progress has been made since Douglas published Economic Democracy (1918-20).

THE WAY AHEAD

Although "You cannot expect an egg to crow" (remark attributed to Alfred Orage), you can take steps to locate the egg in order to brood, hatch and rear the bird. The starting point for development of a new economics is encapsulated in the work of CH Douglas. It is not only the poor who are threatened with income insecurity. Most people could not survive for very long without a money income. Only the very rich at the very top of the international trading elite have a sufficiently large portfolio of assets to survive virtually all financial shocks short of total systems failure. To survive, the very rich need the world's natural resources. And they can choose who to share them with. The stark choice is between begging crumbs from their table, or forging a new recipe for creating the cake itself. Following a spate of indications of financial, ecological and social melt-down, the time has come for some constructive thought on ways to build on the Douglas foundations.

Monetary reform alone will not solve all the problems. Nevertheless, the first pre-requisite for change is a reformed attitude towards money. What money is, how it functions in the economy and how choices are ranked in the course of using money are big issues requiring something more than a passing thought. So long as people draw wages, salaries and pensions without asking fundamental questions about the source of their money incomes, the scenario outlined by Professor Hastings looms large.

REFERENCES:

Unless otherwise indicated, the references were taken from an article in *Yes! A Journal of Positive Futures*, Summer 1998 (Available from PO Box 10818, Bainbridge Island, WA, 98110).

The quotation from Adrian James was from an article in *The Tablet*, 8 Jan. 2000.

Book*review*

by Ron Morrison

THE ECOLOGY OF MONEY
By Richard Douthwaite

The *Ecology of Money* is the latest in a series of Schumacher Society Briefings.

In only eighty pages writer and economist Richard Douthwaite firmly identifies our system of bank-created credit as the primary force driving our economic system. The priorities which should be ordering our activities - such as quality of life, relief of poverty and sustainable development have become side issues to the imperative of making more and more money.

The book analyses the history and functions of money in a well researched and readable manner without resort to the gobbledygook and the jargon of bankers and mainstream economists. It progresses to review various current proposals for Monetary Reform and to consider how these might improve matters. Finally the global economy is examined and a proposal drafted whereby nations would settle their international payments with a new currency denominated in ebcus - Energy Backed Currency Units, designed as a means of exchange not based upon gold as in the past, but upon the right of nations to burn non-renewable fuels and emit greenhouse gasses.

The book makes a worthwhile contribution to the growing library of references on Monetary Reform and is good value at £5.00.

Richard Douthwaite is a former professional economist, having been advisor to the governments of Jamaica and Monserrat.

The Ecology of Money is published by Green Books, Foxhole, Dartington, Devon TQ9 6EB.

WEALTH – A CHRISTIAN VIEW

FIRST REPORT of the CHRISTIAN DOCTRINE of WEALTH COMMITTEE of the CONGREGATIONAL UNION OF SCOTLAND

Presented to the Assembly at Dundee on May 10th., 1962
With a Foreword by The Very Rev. Dr. George F. MacLeod, M.C., D.D.

***In the early 1960s** Prime Minister Harold MacMillan suggested to the people of Britain that we had "never had it so good" and a great many people seemed inclined to accept that proposition. Members of the Congregational Union of Scotland at that time, however, begged to differ. They could see, behind MacMillan's mirage, the reality of continuing widespread poverty and malnutrition, crippling indebtedness and exploitation of the Third World with which we have become all too familiar today. It is hardly surprising therefore, that their analysis and proposals for change, reflected in the **Findings** of their enquiry, are still so completely relevant nearly forty years on. Following publication of the Report there was extended debate in the media and our hope today is that, by serialising the Report in this and subsequent issues of TSC, we might help stimulate again a lively debate on the root causes and solutions to the socio-economic and environmental problems which, without reform, must continue to plague the world's people.* The Report is re-printed in serial form with permission of Stuart Titles Limited.

FOREWORD

By The Very Rev. Dr. George F. MacLeod, M.C., D. D.
Former Moderator of the General Assembly of the Church of Scotland

If all the starving (not just the undernourished) children in the world were lined up, one behind the other, starting from your front door, the end of the queue would be twenty-five thousand miles away. This is sad.

It is in this situation that, none the less, the West is getting richer and richer and the East is getting poorer and poorer. This is staggering.

It is in this situation that (according to a U. N. world economic survey) all loans made by governments and the World Bank to under developed countries have been more than offset by the fall in commodity prices in these lands due to the pressure of debt on their economies. This is sin.

It is in this situation that more and more churchmen become aware that to buy a tractor for Nagpur or sink a well in an Arabian village is not enough.

There is something fundamentally wrong.

"We must make men clearly understand that the land that yields men income is the common property of all men and its fruits for the common welfare. It is therefore absurd for people to think they are not robbers when they do not pass on what they have received to their neighbours. Absurd ! Because almost as many folk die daily as there are rations locked up for use at home. Really when we administer any necessities to the poor, we give them their own. We do not bestow our goods upon them, we do not fulfil the works of mercy. We discharge the debt of justice. What was given by a common God is only justly used when those who have received it use it in a common good."

Who wrote that? Dr. Hewlett Johnson, Dean of Canterbury?

No! The pope who instructed Augustine, the first of that See. That, which he wrote for a domestic situation, could be repeated today, word for word, concerning the world situation. Indeed it is worse for, of today, we could write: "almost as many folk die daily in the East, as there are rations stored up in the granaries for nobody's use in the West".

There is something fundamentally wrong. And it is sin.

Much is still said, in our day, of the duty of the Church to abide by the spiritualities and leave the temporalities for the experts. What men forget is that, in a democracy, we are the experts, or at leastways can control them.

The present Prime Minister of France has said there are three roads to bankcruptcy: "Women, the pleasantest road; gambling, the quickest; and trusting experts, the most certain."

Churchmen, as citizens, must take control again. Pope Gregory's role is "over to us". We have largely forgotten there is a Christian Doctrine of Wealth. It has been buried for centuries below the debris of secular verbiage.

Unless we unearth it, obey it, we will ourselves be submerged in the West by an East driven crazy with hunger. And it will be by the direct act of God. By Moses and the Prophets (i.e. the social implications of our Faith) we will not be saved: not even if an Evangelist were to rise from the dead (Luke 16.19).

Some say an issue for urgent consideration, if we are to recover the Christian Doctrine, is our banking system.

Many in the Church of Scotland must be humbly grateful to the Congregational Union in this land for opening the debate with this important pamphlet. I predict it will prove historic as preface to a growing discussion among Christian laymen.

GEORGE F. MACLEOD
January 1963

INTRODUCTION

The Christian Doctrine of Wealth Committee was set up in terms of a remit from the 1960 Assembly of the Congregational Union of Scotland "to examine the financial system from the Christian standpoint".

It replaced an earlier committee that had been studying the subject under terms of a remit from the 1958 Assembly.

The following have served on the present Committee:
Rev. James G. Dey, M. A. (resigned December 1960)
Mr. L. P. Elwell-Sutton, B. A.
Rev. T. A. Lewis, M. B. E., M. A.
Rev. Allan C. McDougall, M. A.
Mr. William Murray, C.A. (resigned February 1962)
Mr. Idris W. Phillips, M. A. (resigned February 1961)
Rev. Dr. A. Morton Price.
Rev. Dr. A. F. Simpson
Rev. Hamish Smith (resigned June 1961)
Rev. W. A. Tindall M. A.
Rev. Dr. W. Montgomery Watt.

The chair was taken by Rev. A. C. MacDougall; the Secretary was Rev. Hamish Smith, and after his departure for the U.S.A. in June 1961 Mr. L. P. Elwell-Sutton.

The Committee held its first meeting on September 22, 1960, and in all, seventeen meetings have been held in Edinburgh or Glasgow. Among those who have furnished the Committee with their views, either verbally or in writing, are;
Professor P.Ritchie Calder (Professor of International Relations, University of Endinburgh).
Miss Mary Dunn (Committee of Enquiry into the Scottish Economy)
Mr.Maxwell Gaskin (Senior Lecturer in Political Economy, University of Glasgow)
Mr. W. T. Martin (Director, William Martin & Sons Ltd. Fruit Importers, Glasgow)
Rev. Dr. Stewart Mechie (Senior Lecturer in Ecclesiastical History, University of Glasgow)
Prof. D. J. Robertson (Professor of Applied Economics, University of Glasgow)
Mr. Brendon Sewill (Conservative Research Department)
Mr. A. M. Wade (Birmingham)
Mr. A. L. Williams (National Agent and Deputy General Secretary {now General Secretary}, Labour Party)

The Committee is deeply grateful to the above consultants, who contributed to this enquiry a wide variety of views. It must on no account be assumed however that the foregoing consultants are in agreement with the findings of the Report, for which the Committee holds itself solely responsible.

Members of the Committee have also studied a considerable number of official reports, documents and books dealing with the monetary system and allied questions from both orthodox and unorthodox points of view. In the course of their enquiries many messages of encouragement and support have been received from persons of different denominations and political views, and thanks are particularly due to those who helped to make possible the printing of this report in full.

The Report that follows represents the unanimous conclusions of the Committee as constituted at the completion of its enquiries in March 1962. It was presented to the Assembly of the Congregational Union of Scotland at Dundee on 10th May 1962, and received and accepted in the hope that it would lead to further study, and with the clear understanding that Assembly's acceptance of this as a First Report did not imply approval of all of its contents. In order that investigations might be continued, the Committee was retained in being, and copies of the Report were to be sent to the appropriate departments of other Churches and to the British Council of Churches.

Preamble
THE CHRISTIAN DOCTRINE OF WEALTH

Under our comprehensive title - The Christian Doctrine of Wealth Committee - we have endeavoured to work within the narrower terms of our remit, viz., "to examine the financial system from the Christian standpoint". This has, at the same time, involved the attempt to reach some understanding of the Christian Doctrine of Wealth and its implications for our task.

It seems proper, therefore, to begin this report with a brief statement of what we believe to be the main elements in a Christian concept of wealth.

I. Wealth, in all its forms, has its source in the Creator's care for His creatures. It is God's sufficient gift for all the needs of man. Since all God's gifts are for the furtherance of His gracious purposes, they cannot be dissociated or diverted from them without grievous loss and failure resulting. Wealth, therefore, is not man's possession to be used and controlled just as may seem good in his own sight.

II. As wealth can be defined as everything that contributes to the weal of man, the Christian should extend the term in his thinking far beyond its generally accepted reference to material resources and possessions, including money. Until that is done, we cannot see the problem in true perspective. Wealth must be "spiritually discerned", that is, seen in the light of the purposes of God, before it can be seen aright. Here is the justification of the claim that the Church should have a word to say, and should say it, where the problems of wealth and its management are concerned.

III. On the above definition, wealth includes all the powers of the human mind and brain, of body and of spirit.

Without these, material wealth **would have no value at all**. That statement has far reaching implications. For example, it should lead to hard thinking on the part of the Christian as to the priorities accorded to politicians and economists. What place is given to, say, education, in the widest sense, health, and spiritual wellbeing? These are the really prime human concerns. How are they being served today in our economy? It is necessary to take a hard look in that direction.

IV. The Christian Doctrine of Wealth is based on the Gospel of the good will of God, as revealed by Jesus Christ, for the whole man and for the whole of human society. It is a grave limitation of the Gospel to regard it simply as a declaration of the purpose and power of God "to save souls" in the narrow sense in which too often that phrase has been and still is used. The good purpose of God, as revealed in Christ, is to save the whole man and to redeem the whole human situation on earth. In our Lord's view (Matt. 5,45) the physical blessings of life are instinct with the Gospel truth - the truth of the Father's indiscriminate goodness and mercy toward all men. To contend for that truth is to contend for the Gospel and we cannot contend for the Gospel in its fullness unless we contend for that truth. Material wealth is sacred, for it is invested with the love of God. To waste it, abuse it, restrict it, hoard it or withhold it is to blaspheme the giver. Unless the Church, through her witness by word and action, makes this truth clear, she preaches a limited Gospel and her message, in so far, is irrelevant to the needs of the world for which Christ died. In the light of the Christian Doctrine of Wealth, no amount of earnest piety and evangelistic zeal can, in this case, give saving point and power to her message to the world today. It is well to remember the assiduous care given by the primitive Church to the physical needs of the fellowship. At that stage, her witness was borne as a "colony of heaven".

V. The Christian Doctrine of Wealth, therefore, holds that the prime factor in the whole question is the will of God according to the Gospel. It also holds that all that is required for human weal of all kinds is provided for in the divine economy. Nothing has been left out in the Father's care for His human household with its varied needs of body, mind and spirit. That must be a fundamental article of the Christian's faith. The great saying of Jesus, "I am come that men may have life and have it in all its fullness" (N.E.B.), lights up the gracious spirit of our Creator and the Father of God for man His child. Since this purpose of God is nullified over a vast area of human experience, as is seen in the widespread poverty and want existing in the world today, it is the duty and the task of the Church - the custodian of the Gospel - to search out the causes. It is not sufficient to say that they are found in human sin and folly. That platitude begs a few questions. The sins and follies of men are written into human institutions and systems, and once a system or institution has been generally accepted and approved a mantle of respectability covers the sin and folly which it contains. It may then even receive the acquiescent patronage of the Church. There is an inescapable obligation resting on Christians, therefore, to direct a searching scrutiny at all systems. The financial system - the most powerful of all - should be no exception.

THE ROLE OF MONEY

The Committee is in no doubt that a monetary system is an essential feature of our modern complex society, and that any attempt to abolish money and to return to some form of barter would result in chaos. At the same time there is a strong body of public opinion which is convinced that the malfunctioning of the present monetary system, whether because of improper use or because of some fundamental defect, is responsible for much of the economic confusion and distress that afflicts mankind today. It is the validity of this contention that we have felt it our duty to investigate.

We also recognise that, while ideally all mankind are brothers and there should be no distinction between one part of the human race and another, the government and people of Britain are bound to concern themselves primarily with their own socio-economic and monetary systems, since that is all that they themselves can claim the right to control or change. In planning how these should function, they must of course have full regard to the possible effects on the outside world of any measure they adopt. In this sense their planning must be international.

In the appropriate part of the report we offer a definition of the term "monetary system". We recognise however that, for the purposes of this enquiry, we cannot confine ourselves to these strict limits, and that in view of the fact that money is the medium for the control of prices, wages and salaries, the levying of taxation, the financing of internal production and international trade, the provision of social services, pensions and allowances, we must permit ourselves to consider any or all of these at the appropriate time.

(In May/June issue:
PART ONE – A CHRISTIAN ECONOMY)

QUOTE

It was a brave new world that Mr. Blair painted in his millennium statement, one in which anything will be possible. But alongside this exciting new world is a sadly familiar one. One in which poverty, conflict and hardship continue to bring misery to children and adults alike... It is hard to believe that as we enter the new millennium one third of all children live in poverty, three times the number in 1979... Problems facing children in developing countries are more basic ones of finding essentials of food and water.

The Times, 31st. December 1999.

A LETTER FROM BULAWAYO

Recently we received a very interesting letter and a short article (see page opposite) from Mr. Francis Feather who emigrated to Zimbabwe in 1983 for health and family reasons. Both are reproduced below, very slightly edited for reasons of space. He was prompted to write, after a friend lent him a number of recent back issues of The Social Crediter and because his contact with Social Credit goes back a long way. His letter tells us that:

"... in 1929, after being two years articled to a firm of Chartered Accountants and completing my Intermediate Examinations, economics became a major part of my Syllabus and I found therein a number of claims and assertions which I was quite unable to accept. I was aware of widespread unease at the time, as currently there were numerous movements in support of and opposition to Silvio Gesell, G.K.Chesterton and his Distributive movement, Henry George's Single Tax (Land Tax) etc.

During 1932 The Accountant ran a debate through its columns on Social Credit (itself taking an opposing stance) conducted by - I think, a Professor Marshall of Manchester University. He was about the only opponent at that time, to my knowledge, who made the mistake of quoting Douglas accurately! Reading the instalments from week to week it seemed to me that it was Douglas who was writing sense and Professor Marshall who was on the wrong lines - and I contributed to the ensuing correspondence. So I visited my bookshop and bought whatever books by C.H.D. were then in print. I contacted The New Age and still have the volume containing the original serialisation of Economic Democracy. I even induced my economics lecturer to accompany me to a meeting in the Westminster Central Hall which Douglas addressed and he admitted to being impressed!

I became a member of the London Social Credit Club run by Dr. Mitchell and her husband, Dr. Purvis, where some of my lifelong friendships were made. I subscribed to The New English Weekly, Social Credit, The Social Crediter, and New Democracy all from vol.1 no.1 and have the earlier volumes beautifully bound in green buckram.

After qualifying as a Chartered Accountant, I sought a Bachelor of Laws Degree at London University, centered from in King's College, Strand, which was very close to the then secretariat offices(163a Strand) - where I frequently went for a cup of tea. Later, I joined the Education scheme and my certificate A (less advanced grade) signed by C.H. Douglas, A.L.Gibson (another Chartered Accountant) and Tudor Jones is dated 17th January 1938. I also attended the reception and Dinner in London to welcome Major Douglas back from one of his world tours. One of my prized possessions is a large photograph of that assembly.

By now World War phase 2 was upon us and when it actually broke out it fell to me to liquidate the Social Credit Secretariat Ltd., in accordance with Douglas's wish.

Then, my life dramatically changed. A partner, senior to me, was called up as a member of Officer's Reserve and I was thrust into his chair. I was enrolled into Dad's Army. Christmas 1941, the firm's offices were wiped off the map in the first fire blitz on London and my father, who was senior partner, did not survive the shock.

Come1945 with the first post war elections, I was pressurised into standing in Southend - on Sea and (thanks to CHD for all I had learned from him) I succeeded at the first attempt. I served 28years on the County Borough Council - principally as Chairman of the Finance Committee - ultimately resigning in protest at the signing of Ted Heath's Local Government Amendment Act to abolish County Boroughs;

To me, so obviously a step towards Regionalisation. Later, I withdrew from all political affiliations, requesting the withdrawal of my name from the list of Honorary Vice Presidents, in protest at the signing of the Masstricht Treaty.

In 1978 I underwent a serious spinal operation and in 1983 emigrated to Zimbabwe where I joined my elder daughter and my son and their families.

Never have I lost any of my interest in Douglas's ideas and my library is extensive. I have been taking steps to guarantee that it is not destroyed on my death and have recently agreed with the local University for them to accept it as a gift and make it available to anyone interested, whether University or not. The University representatives who visited me seemed greatly impressed with my outline of what it was all about.

Feeling that circumstances here are much on a line with those current when Aberhart achieved his breakthrough in Alberta, I have attempted to establish a group of students, but have been continuously frustrated by deaths and transfers to Harare or emigrations from Zimbabwe. These have included two Ministers, one of whom was killed in a car crash.

I have written a few letters to the papers and a few articles for my students for circulation by them. Enclosed is a copy of my *Where Does Responsibility Lie?*.

FRANCIS FEATHER

WHERE DOES RESPONSIBILITY LIE?

By Francis Feather

It is a statement of the obvious to say that no nation can exist without an effective distribution system. Goods are no longer produced primarily for the satisfaction of the producer alone; they are produced in mass for the benefit of whomsoever wants them and is able to pay for them. There would be no object in producing them at all unless they were to be consumed.

The agent of both consumption and production is of course what we still call money, although the greater proportion is more correctly referred to as credit. Credit is monetised by the banks. It is loaned to the producer who uses it to pay wages and salaries to employees and to suppliers of capital equipment or to other organisations who supply services of one kind or another. Wages, salaries and dividends constitute the funds, which enable the final product to be bought for consumption.

This is all as obvious and universally accepted as the anticipation that water will flow on the turning on of a tap, or that a light will appear on the flicking of the appropriate switch.

But any system, whatever its nature, has to be administered. For centuries the administration of the money system was in the hands of the Crown. Later governments - with the banks operating as agents - gradually acquired the powers, subject to some restraints. From about 1920, under pressure, the banks have gradually acquired almost total independence from government or any other authority. Although they are private profit-making organisations, this essential aspect of government has been placed in their hands almost entirely. It is interesting to note in this context, that one of the first acts of Tony Blair's "New Socialist" government in Britain was to remove almost the last obstacle remaining in the way of the complete independence of the Bank of England, and that the Central European Bank has, in fact, already achieved complete independence from any democratic influence. (see Maastricht Treaty, Article 107. Ed.)

In achieving such authority the banks must be deemed, of course, to have automatically assumed related responsibilities. In the wise words of an eminent High Court judge, "Every man is deemed to intend the natural and probable consequences of his acts." So, the responsibility for the satisfactory working of the money system is firmly in the court of the banks and they are answerable to the community - even if they claim immunity from interference or pressures. (emphasis added)

Now, how can anybody claim satisfactory working when, amongst a community of only ten millions or so, it can be alleged that sixty per cent. are within the starvation range; that there is a severe shortage of houses, hospitals, schools etc. while we have an industrial system capable of expansion to fulfil these needs unless it is also restrained "for lack of money!" Amongst the millions of unemployed the majority are certainly willing, indeed anxious to work but prospective employers are unable to engage them because there is a "lack of money." (specific reference is of course, to Zimbabwe Ed.)

The present system of money administration is out of date and the cost accountancy system in use is badly flawed. It is time for a change and, for the time being, the only agency capable of effecting that change is the banking system. Money has today become nothing more than a mathematical exercise in book-keeping with the banks as the nation's, and individual's, book-keepers.

It is no excuse to protest that there is no other possible system. Other systems, more appropriate to the twenty-first century, are known but have been forcefully prevented from being applied either by government veto, or on the spurious grounds that they are "unconstitutional". Yet such a system, the framework for which was set out clearly by Douglas, could ensure the alleviation of most of the socio-economic problems which plague the world's people and which arise primarily from the errors inherent in the present administration of our monetary system.

QUOTE

"I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money... And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hands the destiny of the people."

Reginald McKenna, (Chancellor of the Exchequer in 1915-1916) in his report to shareholders of the Midland Bank in 1924 when he was chairman of the board.)

If you wish to comment on an article in this, or the previous issues, or discuss submission of an essay for a future issue of *The Social Crediter*, please contact the Editor directly:

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The Social Crediter is the official journal of the Social Credit Secretariat. It promulgates the analysis and prescription for radical change to the current financial/economic system developed by C. H. Douglas in the 1920s. At the centre of our concern is the need for radical reform of the international fractional reserve, debt-money system. Only then might other major socio-economic changes, including the introduction of a National Dividend, follow and help to ensure that all of the world 's people have the potential to enjoy economic sufficiency, while simultaneously living a full and satisfying life in harmony with each other and the natural environment. It is our conviction that whatever is **physically possible and socially desirable** CAN be made financial possible. This should be everyone's concern and radical reform is urgent, so that this potential might be realised.

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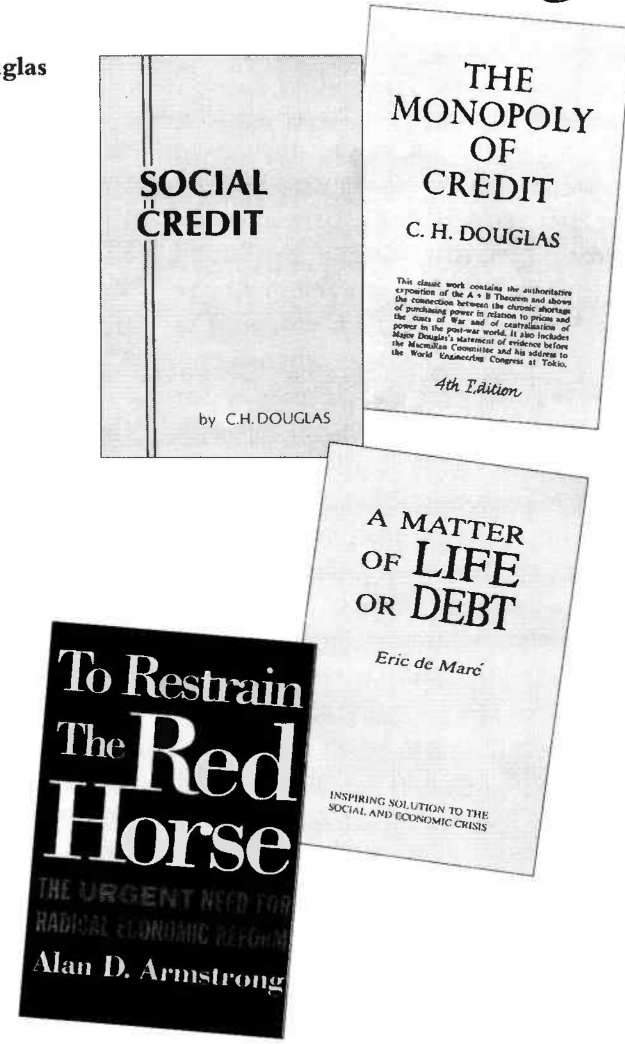
Recommended Reading

Books by Major C.H. Douglas

Social Credit
The Monopoly of Credit
Economic Democracy
Warning Democracy
Credit Power and Democracy
The Control and Distribution of Production



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

Eric de Maré
A Matter of Life or Debt

Alan D. Armstrong
*To Restrain the Red Horse**
The Urgent Need for Radical Economic Reform (1996)
£11.95 including P&P

Books and booklets on the subject of Social Credit are available from Bloomfield Books, 26 Meadow Lane, Sudbury, Suffolk, England CO10 6TD.
* Also available from Towerhouse Publishing, 32 Kilbride Avenue, Dunoon, Argyll, Scotland PA23 7LH.

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