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MONEY AND THE PRICE SYSTEM

By C.H. Douglas

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

(This is the concluding section: for the earlier part of the speech see the March-April and May June 2000 issues of TSC.)

THE ISSUE OF A NATIONAL DIVIDEND

We believe that the most pressing needs of the moment could be met by means of what we call a National Dividend. This would be provided by the creation of new money - by exactly the same methods as are now used by the banking system to create new money - and its distribution as purchasing power to the whole population. Let me emphasise the fact that this is *not* collection-by-taxation, because in my opinion the reduction of taxation, and the very rapid and drastic reduction of taxation, is vitally important. The distribution by way of dividends of a certain amount of purchasing power, sufficient at any rate to attain a certain standard of self-respect, of health and of decency, is the first desideratum of the situation.

It is, of course, not suggested that, at first and possibly for some time to come, such a dividend should be so great that, if work was available, the worker could refuse to work; but the issue of a National Dividend would be a recognition of the fact that, if work is not available, he has the right to an income sufficient for self-respect and subsistence - as by right and not as a "dole." That is the first aspect of the matter. It is, of course, suggested, and it may be true, that if you did that to any considerable extent without taking further steps, there would be a rise in prices, at any rate in those things which would come within the buying range of the people who would receive this dividend as their sole means of subsistence; but we propose a further issue of credit be made for the purpose of lowering prices. Now it is very often said that that cannot be done; that although you can do anything with machines, electricity and all the marvellous inventions of the modern world, a ticket system defeats you!

SUBSIDIES TO REDUCE PRICES

But, leaving that aspect of the matter at the moment, I should myself retort, not only that man *can* do it, but that it *has* been done and is being done at the present time. So far as Great Britain is concerned, between 1920 and the present time, or to within a year or so ago, practically every business in Great Britain was losing money heavily. Very large credit balances held by business concerns at the end of the war were changed by, let us say 1930, to very heavy debit balances, represented by large overdrafts with banks, together with the mortgaging of assets in various ways. Now that meant that their produce had been sold to the public below cost, and the differences between cost and the true production price had been met by a creation of credit, first of all from the credit reserves of the companies until they were exhausted, and then afterwards by the creation of overdrafts upon the banks. I am not suggesting for a moment that that process can go on forever: what I am stating is that it *did* go on during that period, *not only without raising prices but continuously lowering prices*; the price level dropped continuously, and at the end precipitately, between 1920 and 1930, and at the same time subsidies - which were not distributed through the agency of wages and salaries - in aid of price were being pushed into the production system. This has been done and is being done at the present time.

In a much more open and unashamed manner we are claiming in Great Britain that practically every shipping company in the world is subsidised, so that prices for passenger and freight services can be made so low that we cannot compete, and that the only way in which we *can* compete is to apply a subsidy in aid of a reduction of prices.

Now that is what we of the Social Credit Movement propose to do if there is any question of its being difficult to keep prices down. We propose to apply a certain proportion of the total created money to a reduction of prices. The public will thus pay a part of the price out of their own pockets in the ordinary way, and part of the price will be paid by various means through creation of national credit. The effect will be a drop in the price level, while at the same time the producer and the business man will not be losing money. They will enjoy the dividends and the increase of trade which comes from the ability to lower prices. They will not lose money as they would if they had to lower prices without the aid of the creation of national credit.

In that way we believe that it will be possible at one and the same time to increase purchasing power, and to lower prices and prevent anything in the nature of what we call inflation.

That covers in principle nearly all that we have to propose. Any arithmetical, mechanical or mathematical form is only a question of getting a number of competent men round a table to hammer out the details.

The great difficulty, of course, is that it is extraordinarily hard to bring sufficient pressure to bear upon this world-wide monopoly of credit. That is the practical difficulty. If that can be done I believe that nobody will lose. I am not myself, for instance, an advocate of the nationalisation of banks. I believe this again to be one of those misapprehensions so common in regard to these matters, for the nationalisation of banks is merely an administrative change: it does not mean a change in policy, and a mere administrative change cannot be expected to produce any result whatsoever in regard to this matter. A change in monetary policy can be made without interfering with the administration or ownership of a single bank in the world: and if it could be got into the heads of the comparatively few people who control these enormous monetary institutions that they would lose nothing but power - and that they will lose that power anyway - the thing would be achieved.

I am not going to inflict upon you what is perhaps an even greater aspect of the matter, because through the kindness of one of your organisations in Norway I am going to speak about that tomorrow; but in an examination of that one phrase "the monopoly of credit" you will find at any rate the beginnings of the solution, not only of the social problem, but of the greatest of all problems - which, if not solved, will destroy society - and that, of course, is war.

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 McLeod, M.C., D.D.

PART TWO: THE MONETARY SYSTEM

(Continued from May/June issue of *The Social Crediter* and reproduced with permission of Stuart Titles Limited)

We recognise that the monetary system by itself cannot achieve these objectives, nor always play a major role in their realisation. There is however much evidence to suggest that it can act as an obstacle and even a barrier to objectives that are both desirable and physically possible.

First of all however it is necessary to define the nature of money and the monetary system, to clarify and delimit its proper function in a social-economic system, and to remove some of the misconceptions that have grown up around it.

MONEY

1.The term " money" may be used to describe any token or other device, with or without intrinsic value, that is acceptable as a claim or title to real wealth, that is to say, as purchasing power.

It is clear to us that by far the most important form of money at the present day is bank credit. Coins minted in the name of the Sovereign, and notes issued by the Bank of England and by Scottish banks play only a subsidiary role, and in any case pass into circulation **in the first**

place as bank loans. The great bulk of monetary transactions are performed by means of the cheque, and it is this system that has made possible the huge expansion of bank loans and bank deposits that has characterised the past fifty years. Thus bank deposits with the ten London Clearing Banks in 1919 were 1,510.7 million pounds *(Report of the Committee on Finance and Industry* (The MacMillan Report), HMSO, 1931, para.81) and in 1958 were 7,199 million pounds (*Report of the Committee on Working of the Monetary System* (The Radcliffe Report), HMSO, 1959, para. 134).

The term "bank credit" includes loans, advances, investments, etc., issued by the banking system either directly or through financial institutions, which purport to be the money deposited with it by customers, but in fact are given out without in any way reducing the balances of its depositors, which therefore remain available as purchasing power. Meanwhile the credits so advanced are transferred by the borrowers to other creditors, who will normally add them to the existing deposits in the banking system as a whole, providing incidentally a basis for the further issue of credits. This is the meaning of the frequently repeated statement that "bank loans create bank deposits."

We accept as beyond argument the process implied in this statement, a process made possible by the general use of the cheque (for a clear description see inter alia the Macmillan Report, para.74). The essential significance for our purposes is that fresh credit, that is to say, new money (as defined above), can be provided by a banking institution by a simple method and costless process of ledger entry.

REAL WEALTH

2. "Real wealth" includes all goods and services that contribute to the satisfaction of human needs and the promotion of human well-being. The measure of the real wealth of a community is its ability to deliver goods and services when, where, and as required. It therefore includes goods and services ready for consumption, unfinished goods in process of manufacture, stocks, raw materials and natural resources, surplus of imports over exports, productive capacity both actual and potential, transport and similar services, manpower, inherited and acquired skills and knowledge, educational and cultural facilities, and so on.

It will be seen that the above definition does not draw a hard and fast line between **capital** and **consumer** production. In the sense that all capital production ought to be directed solely to the end of supplying the needs of the consumer, it does not appear that such a line would be significant. We may however use the term "capital" in the same sense that "real wealth" is used in the definition above. It seems necessary however to point out that the word "capital" is also used by economists in an entirely different sense, that is to say, money or credit for the purpose of buying and exploiting the means of production.

We may therefore have the position where **capital** (real wealth) is in plentiful supply, and **capital** (money) is short - or vice versa: it appears to us important to maintain this distinction, and we would prefer for that reason to avoid the use of the word "capital" altogether.

We would like to stress particularly the inclusion of "educational and cultural facilities" under this heading. The spiritual well-being of its members is as much a part of the real wealth of a community as is the satisfaction of their material needs - a truth that the present monetary system finds difficult to recognise!

CREDIT ACCOUNTING

3. Whatever form a "monetary system" may take, its essential function is to serve as an accounting system recording, as credits and debits, the movement of real wealth within the productive system and into the hands of the consumer.

It appears to us that the fulfilment of this function would require a new and unorthodox approach to accounting technique. Orthodox accountancy requires that, wherever there is a credit, there must be also a debit. But this, when applied to the real wealth of a community (or even an individual) does not reflect the physical facts. If an individual owns a house, free of mortgage, etc., he may be said to be "in credit" to the value of that property. Who is correspondingly "in debit"? Similarly, the community is always "in credit" to the extent of its accumulated real wealth: the only "debit" to be set against this is the concurrent consumption of real wealth, which is self-evidently less than the whole. The financial situation of a community should always reflect this "credit" position; instead we find that all communities except the most primitive are in a position of permanent and unrepayable debt.

In examining the working of the existing monetary system, we are bound to take into consideration the extent to which its effects are due to the nature and sources of its control. It would be unwise, in our opinion, to assume that, even after nationalisation of the Bank of England, this is wholly in the hands of government. That the clearing banks are strictly controlled by the Bank of England is clear from paras. 350-353, 376 and 430 of the Radcliffe Report. What is perhaps less clear is the relationship between the Bank and the Government. The Radcliffe Report deals with this question in Chapter IX, without throwing much light on it. We regard however as particularly significant (in view of what it does **not** say) the following passage: "The policies to be pursued by the central bank must be first to last in harmony with those avowed and defended by Ministers of the Crown responsible to Parliament." (para. 767). It does not take much reading between the lines that the relationship and the Bank of England is not unlike that between the Queen and her Ministers. While constitutionally the Government is the highest authority, it relies in practice wholly on the "advice" given to it by the Governor of the Bank of England. Any attempt to act in defiance of such advice could only be carried out by a Government of great determination and clarity of purpose.

The essential truth remains that the banking system monetises the credit of the community, that is, its real wealth, and lends this money to the community as interest-bearing debt. Moreover, it is an unrepayable debt, since the figures of debt increase far more rapidly than the figures of bank deposits. In 1958 the National Debt alone totalled 41,105,000,000 pounds - more than five times the total of bank deposits at the same period (Radcliffe Report, paras. 134,149,637).

A FRAUDULENT SYSTEM?

We have been impressed by the arguments put to us suggesting that the basis of the banking system is on this account fraudulent in the strict sense of the word. The issue of money is, or ought to be, a prerogative of the State, and the privileges given by the government of the day to the Bank of England in 1697 did in fact enable the Bank, and through it the banking system as it subsequently developed, to usurp this prerogative to its own very considerable advantage.

The question whether this was fraudulent intent at that time or later does not seem to us to be particularly important at this stage. Nor can there be any imputation of deliberate fraud or dishonesty in the present operation of the banking system, in so far as its day to day activities are concerned. We fully recognise the simplicity and convenience of the system, but regard it as essential in the first place that it should revert in its entirety to the full control of the State, that is, of the community.

In the course of its proper function as defined above money may also come to serve as a "measure of value". This function is performed when a price is placed on an article in monetary terms. We feel that, as far as possible, the "value", and so the "price", the monetary measurement of that value, should be determined by the value of the real wealth (including human effort) consumed in the course of producing it. It is permissible to regard the monetary system as "measuring" this value, for the sole purpose of providing the means of transferring the output of the productive system to the consumer.

In our view many of the problems that beset the financial system arise from the treatment of money as a commodity having value in itself. To some extent the economists are to blame for this, in that they fail to distinguish between real wealth on the one hand, and money on the other as a means of measuring it. This confusion stems from the time when monetary transactions were still a matter of exchanging one form of real wealth for another (gold, silver, jewels etc.) But this was already ceasing to be the case from the day that coins were first stamped with the head of the sovereign (certainly as early as the sixth century B.C. in the reign of Darius the Great), thus endowing them with an additional credit that had little or nothing to do with their intrinsic value. Indeed with the prohibition of defacement and forgery even their intrinsic value ceased to have any significance. From that it was an easy stage to the "debasement" of the intrinsic value of the coinage (while retaining its use as purchasing power), the issue of notes and letters of credit (devised by the Chinese in very early times), and the modern "accountancy" money system, in which money has been reduced to its simplest terms, figures in ledgers. One cannot lend, let alone charge rental for, figures in a ledger; but once let it be assumed that these figures stand for something of intrinsic value, and it is legitimate to claim that the lender is entitled to be repaid in kind and to levy interest.

THE "VALUE OF MONEY"

It seems fairly clear however that, whatever may have been the case in the past, money at the present day in its practical function serves simply as an accounting technique, registering the transfer of real wealth from one hand to another. It no longer has any intrinsic value, nor does it serve as a "store of value." (1) Indeed its sole "value" would appear to reside in its usefulness as a title or claim to real wealth. When we say that this "value" may fluctuate, we mean simply that **prices** do not remain stable, so that a given sum of money purchases varying quantities of the same range of articles at different times.

The classical explanation of this fall in "value" is "inflation", that is, when purchasing power in the hands of consumers increases more rapidly than the increase in the supply of goods, prices rise accordingly by natural economic law. In other words we have "too much money chasing too few goods". We do not deny that this has been so in the past, and may still be so in limited areas of the economic system. Nevertheless in a highly developed and controlled economic system such as that prevailing in Great Britain and other industrialised communities at the present day, where a considerable part of the productive system is under direct or indirect State control, we do not think that this explanation any longer fits the facts.

We have come rather to the conclusion that the pace is set by the cost of production, and that when we have an inflationary situation (where the level of prices is constantly rising), what is actually happening is that incomes are trying to keep up with prices. The process is somewhat as follows: a rise in the level of production costs and therefore of prices, and so of the cost of living, is followed by demands for higher wages to maintain the existing standard of living, and incidentally to ensure the consumption of the wealth that has already been produced and the liquidation of the costs incurred. But these demands can only be granted by adding additional cost into the cost of production. This results in a further rise in prices, and the cycle begins again.

This can be seen most clearly in the case of government and municipal undertakings, where it is clear that the "free operation of the market" is not a factor. The recent increases in, for example Edinburgh's bus fares and school fees were caused solely by the increased cost of employing bus crews and school teachers.

Unfortunately it is impossible to halt or reverse the process, even when it is understood since, (under the bank-debt system) credits that have been issued have to be repaid. In any case the policy of restricting purchasing power, being based on a radical misunderstanding of the process, merely aggravates instead of alleviating the situation.

The clearest example of the wrong approach to the problem is the levying of purchase tax, which increases prices (without increasing incomes), and is therefore a form of deliberate inflation. A "deflationary" policy, especially if it takes the form of a wages "pause" or even "cut", reduces purchasing power without reducing indebtedness, and results in economic stagnation, bankruptcies and falling productivity.

DEBT AND INTEREST

We have given consideration to the questions of debt and interest. While we are not unanimously of the opinion that private debt is undesirable in all circumstances, we recognise that, carried to excess, it can be the source of serious problems. We are more inclined to question the taking of interest, which was condemned by the Churches until the rise of the modern banking system. The principle argument in its favour - that, to quote John F. Sleeman of Glasgow University (*Life and Work*, April, 1961), "people have to be paid interest to induce them to abstain from present consumption" - does not bear examination from a Christian standpoint. A man with a lump sum of 10,000 pounds, if he had no other outlet for it than personal consumption, would be likely to spread its expenditure over a period of time, say, 500 pound a year for 20 years; yet this is precisely the annual sum that he would have if he invested the money at 5 per cent (the question of income tax is ignored for purposes of this example), and moreover he would have it indefinitely and would still retain his title to the original lump sum. This seems to be a clear case of "having one's cake and eating it"; to induce him to "abstain from present consumption" he must be paid a sum sufficient to enable him to maintain that present consumption!

So far as private loans are concerned, there may be room for argument; but we cannot see any moral justification for the levying of interest on a bank loan which is, as all the experts agree, "created out of nothing". When a bank "creates" credit in this way, neither it nor any of its customers surrenders title or claim to goods and services, nor do they abstain from "present consumption". Moreover, the addition of interest to the original bank loans, when these loans are the sole source of purchasing power, is a clear cause of purchasing power shortage. Whether or not then the function of "creating credit", that is, of issuing money, reverts in its entirety to the State, as recommended in the preceding paragraph, there cannot be any justification for the levying of a charge for this service beyond a sufficient sum to cover clerical and other costs.

The social consequences of this system of interest-bearing debt finance can be seen at all levels - from the house owner who finds himself liable for more than double the price of the house he has bought with a mortgage, to the municipal authority whose interest payments may well amount to 40% of its annual expenditure out of rates.

(To be continued in the July/August edition : Part Three - The Monetary System as a Service)

Notes:
(1) We may if we like regard a bank account as a kind of "store" of purchasing power. This is a proper, though secondary, function of the banking system - the keeping of its customers' accounts. It is relevant to point out that purchasing power, if "stored" too long, may lose some of its effectiveness.

THE SIMULTANEOUS POLICY

THE NEW GLOBAL POLITICS OF RIGHT LIVELIHOOD AND HUMAN RELATIONS

John Bunzi

POLICY PROPOSALS AND STRATEGY BRIEFING

The Simultaneous Policy is a new global politics of international community and consensus based on Right Livelihood and Right Human Relations: Right Livelihood representing our need for a lifestyle more consistent with Nature and human nature; Right Human Relations representing the recognition that sustainability cannot be achieved without co-operation and unity of all peoples. The Simultaneous Policy (SP) consists of a range of measures to be implemented by all nations simultaneously and is being campaigned for by the International Simultaneous policy Organisation (ISPO). The purpose of this briefing is to outline the measures SP would consist of and to explain ISPO's plans to bring about its implementation.

WHY DO WE NEED SP?

The nations of the world are locked into competition with one another for capital, jobs, and ever-scarcer natural resources, a competition engendered by the ability of capital and corporations to cross national borders at will. As a result, politics - regardless of the party in power - has been paralysed by that competition into a state of pseudo-democracy: a state in which, whatever party we elect, the policies delivered inevitably conform to market and corporate demands. A continuing agenda of policies characterised by weak environmental and labour protection and an increase in the gulf between rich and poor therefore remains unavoidable unless nations act together. Furthermore, the World Trade Organisation (WTO), being the one institution with supranational authority in economic matters, has the remit of preserving the free movement of capital and corporations: the very forces which serve to subvert democracy and undermine the power of nation states. That politicians support the very institution that not only undermines their own power but also democracy itself, serves to demonstrate the extent to which party politics has become obsolete as means of achieving beneficial change.

It is also for this reason that international agreements on reducing global warming emissions or other such targets are unlikely to prove successful for, to be successful, they would require far-reaching structural changes to industry across the world; changes which cannot be contemplated when nations continue to compete with one another. Far from a glorious ride to global prosperity, therefore, "we stand on the brink not of the era of plenty that free-marketers project, but a tragic epoch, in which anarchic market forces and shrinking natural resources drag sovereign states into ever more dangerous rivalries... The likelihood must be that the laissez-faire regime will not be reformed. Instead it will fracture and fragment, as mounting scarcities of resources and conflicts of interest among the world's great powers make international co-operation ever more difficult. A deepening international anarchy is the human prospect." (1)

WHAT AIMS DOES SP HAVE?

SP has as its aim the transformation of the international economy such that it operates in a manner more compatible with the global natural environment and with the needs of human nature. This entails, firstly the re-regulation of global financial markets and transnational corporations such that genuine democracy can be restored to nation states. Secondly, it entails the transformation of those components of the capitalist system which can be described as global, large-scale or over-sized in such a way as to reduce their power and impact. Those components may be financial-markets,

Some Comments on the Simultaneous Policy (SP)

"Its ambitious and provocative. Can it work? Certainly worth a serious try." **Noam Chomsky**

"Your idea for a Simultaneous Policy is excellent... Let's hope people start to listen to this important message."
Helena Norberg-Hodge, Director, ISEC

"SP offers a prophetic and practical approach to the global politico-economic problems of our generation."
Steve Whiting, Quaker Peace & service

corporations, institutions, technologies, etc. Thirdly, SP aims to achieve an equitable consumption of natural resources amongst all people of the world and an overall level of consumption that is sustainable. SP also has the wider aims of world peace and security. Last but not least SP is to be implemented by the consensus of all nation states.

WHAT IS THE SCOPE OF SP?

The measures of SP are restricted to those which, if implemented unilaterally by any nations, would have adverse consequences for their competitiveness employment levels or capital markets. These are the policies the world so urgently needs but which nations cannot risk implementing for fear of the adverse consequences of capital or corporate flight. Polices which have no adverse impact on national competitiveness, on the other hand, are clearly matters only concerning internal national affairs which consequently do not require simultaneous implementation and which would therefore not fall within the scope of SP. SP therefore maintains national sovereignty and represents the synthesis of both unity and diversity.

WHAT PROPOSED MEASURES DOES SP CONSIST OF?

Three stages are proposed, grouping measures which would be *implemented in all countries simultaneously* over, say, a 10-15 year period. These measures could include, but not necessarily be restricted to, the following:

SP POLICY PROPOSALS

1st Stage - Stabilisation Measures

1.1: Re-regulation of global financial markets with the objective of bringing about far greater stability and making the global financial system "safe" for other changes to be applied to it. Such measures would likely include the Tobin Tax and measures to abolish all tax havens and other means of avoiding tax. Regulations covering corporate "transfer pricing" would also likely form a part of such measures.

1.2: The complete cancellation of Third World Debt.

1.3: Stabilisation is also required in politics. Measures would be implemented to abolish political funding of any kind by business in order to restore independence and public accountability with funding coming from public funds on an equitable basis.

1.4: Measures would be implemented to control the research and the practical application of potentially dangerous new technologies. The "precautionary principle" would thus be enforced on a world-wide basis.

1.5: Stabilisation is also required in the field of armaments. One such measure would be the dismantling and banning of all nuclear weapons and other weapons of mass-destruction.

2nd Stage-Access Measures

2.1: Measures to provide the necessary publicly accountable access to boardrooms of major institutions and corporations. The decisions causing our problems are formulated and executed in the boardrooms of major companies and institutions. To achieve such access, measures could be implemented to abolish corporation tax and substitute it with governments holding a percentage (say 30%) of shares in all major companies world-wide. Corporation Tax revenue would thus be substituted by dividends. By dint of its shareholding a government would be entitled to appoint a similar or possibly greater percentage of "special directors" to the board. This would be done in such a way that a veto could, if necessary and after due process, be exercised by them on actions likely to have an adverse affect on the company's impact on either the local or global environment. Similarly, "special directors" would also be appointed to major financial and other institutions with the same powers.

In this way, the "special directors" would have direct, dynamic and meaningful influence on many issues, ranging from environmental restraint to social issues and from ownership to development issues. In the case of arms manufacturers, for example, "special directors" by their power of veto could ensure that all sales were strictly consistent with an appropriate global code of conduct. In contrast to regulation, therefore, the direct involvement in the boardroom decisions of all major corporations and institutions of the proposed "special directors" would thus ensure that potentially harmful activities could be restrained even before they occur on the principle of 'prevention is better than cure'.

"Special directors" would not, however, be responsible either to their corporations or to governments. (2)

3rd Stage-Change Measures

Having implemented the 'stabilisation' and 'access' measures allowing actual change to be safely and effectively applied to the capitalist system, the adoption of a wide variety of 'change measures' could transform major corporations and institutions into bodies which are more compatible with a healthy society and environment. These widely varying measures will need to be implemented, step by step, in 'sub-stages', simultaneously - in all countries.

3.1: One such measure could be a tax on all major corporations, called the 'Development Tax'. Its proceeds could be used exclusively to fund development in the world's poorest and least developed countries on a debt-free basis. In exchange for cancelling their debt mountain, these nations would have to commit themselves as a matter of national policy to a development programme carried out by professional organisations such as the Intermediate Technology Development Group or others who are committed to helping such countries achieve economic growth that is geared to their future self-reliance rather than growth geared to dependency. Additional taxation could also be levied to improve health and public services in all countries including the provision of a Basic Income for all, etc. Major corporations would thus be made to perform a valuable service to world society as a whole instead of only to shareholders.

3.2: Further changes including alterations to the financial (debt-money) system could also be included along with a complete reappraisal of capitalism's incorrect assumption that God-given natural resources, land and intellectual property, should accrue solely to the benefit of their owners. Any such changes would not, however, mean that such resources were to be controlled by the state but that their owners would become trustees of those assets on behalf of society as a whole. (3)

> ***"It is a good idea. What we need is politicians who will give this issue a high priority."***
> **Polly Toynbee, The Guardian**
>
> ***"... the basic concept is excellent ... Let me know what develops."***
> **Jakob von Uexkull, Chairman, Right Livelihood Award Foundation.**
>
> ***"I thought [SP] was an elegant idea of how change could occur. It reflects the core ideas of how to create consensus around change. This is the biggest challenge we have."***
> **Ed Mayo, Director, New Economics Foundation**

What In-put can I have to Formulating the Measures of SP

The above measures and timetable represent merely ***proposals***, which serve to provide an idea of the measures SP could consist of. Based on the premise of a global consensus of all nations, almost anything can be achieved. **Therefore, whilst the actual measures of SP are likely to conform broadly to those set out above, the formulation of policy is open to all who support SP.** (emphasis added)

What is ISPO's Implementation Strategy?

ISPO takes the view that global problems require global - and simultaneous - solutions. Without them, the world can only remain locked in its present vicious circle of competition, leaving its leaders unable even to talk meaningfully because they lack both the will and a strategy for finding a way out. Moreover, since so many nations or governments are wedded to the idea of economic growth and free markets, why would they see the need for change in any case? Indeed, ISPO assumes that they do not see any such need. It is for this reason that ISPO has been established both to define the measures of SP and to secure its adoption by all nations of the world.

Simultaneous Implementation

The concept of global simultaneous implementation - all nations acting together - is crucial. In a globally competitive context this now remains the only method through which the vicious circle of competition can be escaped and meaningful change ensue. Whilst its achievement may seem highly ambitious, it nevertheless remains the only appropriate basis upon which a responsible and secure transition can be made from international competition to the co-operative, global implementation of measures to solve world problems. The vital concept of global simultaneous implementation eliminates any difference of policy between nations. It also eliminates any difference in time of implementation. Therefore, any institution or corporation, transnational or otherwise, can and need take no steps to circumvent the eventual effects of implementation by attempting to relocate because no other country would offer them any advantage.

Global simultaneous implementation could be regarded as a logical extension to the methods being used in the EU to implement new policy, be it the single currency or other measures which are, as far as possible, being implemented simultaneously. With global communications and economies as integrated as they are today, global simultaneous implementation is not only feasible, it is absolutely vital. Persuading all countries to adopt SP sounds like an incredibly tall order, and indeed it is. Such is the enormity of world problems, however, that anything less will simply fail because, like individual corporations, no country or group of countries or their governments would ever risk their economic competitiveness, jobs and votes, unless all other countries were in the same boat. (4)

ISPO's implementation strategy is based on a set of immutable principles which must be properly understood, for they are the bedrock on which SP is founded.

> ***"... the financial world order has become quite cancerous to both people and the planet and what is needed are intelligent and creative solutions appropriate to the situation. Your proposals to create a level playing field for all that incorporates environmentally sustainable policies is just such a solution."***
> **Richard St. George, Director, Schumacher Society (in his personal capacity)**

Principles of the Simultaneous Policy

The ethos of SP is the acceptance of people, organisations and nations for what they are, without judgement, in the interests of the sustained future of the planet and in the interest of the common future and wellbeing of mankind. This should not imply that change is not required; on the contrary. It recognises that no state is perfect and, proceeding from this, that all states should strive, in their own way, towards open and truly democratic societies. The principles governing SP's adoption and implementation are:

1. The Distinction between Adoption and Implementation

Since *implementation* is to be simultaneous amongst all nations, it can only occur once *adoption* by all nations has been achieved. It is therefore clear that a gradual process of adoption or 'adoption campaign' must take place first; person by person, party by party and nation by nation. Be they an individual, an NGO, a political party or a government, everybody knows that by adopting SP, they risk little or nothing because implementation can only occur when *all* nations do likewise. In a competitive world, most policies are objected to on the grounds that their unilateral implementation will be detrimental, causing capital flight, job losses, etc. But if all nations implement the same measures together, those objectives evaporate. **SP is low risk or no-risk; it eliminates fear or distrust.**

2. Universal Inclusiveness: SP may be adopted by anyone

Any individual, any organisation, any political party or any government may adopt SP provided it is adopted in full. For political parties or governments of any kind, adoption is on the strict understanding that its measures are accepted in full and that they will start to implement them in a co-ordinated fashion as soon as universal adoption has been achieved. Adoption could therefore be described as an open 'declaration of intent' to implement its measures when all other nations do likewise. Unlike many other initiatives, appeals and charters calling for global change, SP is different in the crucial respect that it separates 'adoption' from 'implementation' and provides a secure basis upon which implementation can occur. This renders it capable of official adoption by political parties and governments. It therefore possesses the political and practical framework other initiatives lack and explains why, even when widely supported, these initiatives are rarely if ever put into practice.

SP is universally inclusive; it is practical and political, and *anyone* can adopt it.

3. The distinction between current and future policy contexts

Since global simultaneous implementation refers to a point in time in the future at which all nations implement the same measures, this creates what could be described as a 'future context' of co-operation amongst nations - the new era of international global community. This 'future context' is clearly entirely different to the 'current context', as we have it today, which is one of competition amongst nations. Arising from this, policies that are unworkable and consequently undesirable in the current competitive context can, in a future context in which all can co-operate, become entirely workable and desirable.

SP transforms sterile into fertile; it provides the co-operative basis that allows necessary polices to be adopted.

4. The Principles of Openness and Challenge

Nations can still engage in an active policy of competing with one another whilst, at the same time, advocating co-operation in the form of their adoption of SP; these two policies can continue in parallel for as long as is necessary until all nations agree. However, the open adoption of SP by individuals, organisations, businesses, political parties and governments also crucially serves as a challenge to others who have not yet adopted.

As the numbers adopting increase, so will the moral force of the challenge. In the context of our current world problems, such openness and challenge are surely just what the world needs.

SP challenges everyone to adopt it. Anyone not adopting can have no good reason for refusing.

5. The Principle of SP being non-party political

Whatever the current politics of a

person, organisation or political party, if they consider the measures of SP as desirable in a future context in which all co-operate, that is sufficient for their adoption. Because it relates only to a future context in which all co-operate, SP becomes a non-party political issue in the current context of competition. This allows it to be adopted by any person, organisation or party of any political leaning. Instead of dividing people along party-political lines, SP therefore unites them behind a policy for which there is already widespread support, support which, until the advent of SP, had no means of effective, political expression.

SP is not right, left or centre but a policy for the whole world. SP unites us instead of dividing us.

6. The Principle of National Sovereignty

Since SP depends on consensus of all nation states, no question of usurping state power arises.

Furthermore, in addressing itself purely to global issues, SP can be considered as complementary to regional national or local initiatives and not as an alternative to them. SP therefore allows us to come together to act in consensus on global issues whilst maintaining national and local diversity.

Unity and Diversity: SP allows us to "Act Globally, not just locally!"

Why will Political Parties around the world want to adopt SP?

That SP is *low*, or *no-risk* when it comes to be implemented; that it is *universally acceptable* and that its adoption *cannot validly be refused* are all good reasons why it will succeed. But there is a further reason: because today pseudo-democracy means that, whatever party we vote for, and in whatever country we happen to be, the policies delivered remain substantially the same. Whatever they may promise prior to elections, today 's political parties once in power - including Green parties cannot deviate from market and corporate demands as a result of financial markets' ability to quash any public policy they dislike by the threat of capital, corporations and jobs moving elsewhere. Democracy has thus been subverted into pseudo-democracy in which political parties can offer no prospect of substantive reform. Instead of providing a mechanism through which our democratic rights can be expressed, political parties have become substantially obsolete as a means of change. Today, it simply no longer matters much, which party we vote for or whether we bother to vote at all.

As more and more people come to realise this, they will increasingly be prepared to vote for ANY party that adopts SP, seeing it as the only way to restore genuine democracy, economic and environmental security and peace around the world. Furthermore, we must remember that in most countries it takes only a relatively small number of people to influence the 'swing' or 'floating vote'. The target, therefore, is to get that 'critical mass' of people in each constituency of each country to adopt SP. When political parties realise that a critical proportion of the electorate is prepared to vote for any party that adopts SP, they are going to find adoption rather difficult to resist.

What is the Alternative?

The only options on offer are the false hope that the resources of high technology serving the capitalist system might somehow find a solution for us, or the view that change will be forced upon us by global economic, social or environmental collapse. In the absence of SP, the most immediate form of collapse is likely to be social. As corporations consolidate, employing more sophisticated labour-saving technology in their battle to maintain competitiveness and increase profits, the result will be a recourse to far-right political parties, the dire consequences of which have been witnessed before. We can wait for that collapse to happen, or we can try to prevent it by pursuing the alternative choice that SP represents. Given the strangle-hold that globally mobile capital and corporations now exert over domestic politics in whatever country through the subtle imposition of pseudo-democracy, it is hardly surprising that weakening cohesion and growing xenophobia is today accompanied by the rise of the far-right. In the light of these obvious warning signs, it is vital that appropriate action is urgently taken. That action is to adopt SP.

How do I adopt SP?

For further information on SP write to P.O.Box 26547, London SE3 7YT
Website:www.simpol.org
E-Mail: info@simpol.org

Notes

(1) *False Dawn*, John Gray, Granta Books, 1999

(2) To ensure independence and an even- handed approach world-wide, special directors would be responsible to ISPO or an appropriate UN organisation and subject to a common code of conduct.

(3) Monetary reform generally entails the restoration to state control of the issuing of credit by removing it from the commercial banks. Unilateral national action of this type, ISPO suggests, remains highly unlikely due to the banks threatening to move jobs abroad. For this reason, monetary reform could be included in SP

(4) It should not be inferred that ISPO supports the European economic and political integration - it does not. It is purely the method of simultaneous implementation that we seek to highlight.

(5) *Problems of Humanity*, Alice Bailey, Lucis Publishing. 1947

NB.
Social Creditors will recognise, with Noam Chomsky and others, that the SP proposals are indeed very ambitious. However they have already attracted favourable review from a wide range of significant commentators (of which just a few are included here) and, even in embryo, they call for radical reform of the monetary system and for a National Dividend (albeit rather naively predicated on related taxation). On the basis of the section headed What Input can I have to Formulating the Measures of SP, and the simple fact that radical reform of the kind envisaged by Social Crediters will need a huge alliance of organisations for change, we feel justified in giving SP a fair wind by including it in this issue of TSC. ED.

PLUS ÇA CHANGE!

SOME CORRESPONDENCE FROM *THE ACCOUNTANT*, THE JOURNAL OF THE ACCOUNTANCY PROFESSION, DURING THE AUTUMN OF 1932

In the May/June issue of TSC we noted, that without radical reform of the fractional reserve monetary system, it mattered nought what kind of government or what orthodox economic analysis we might follow. The outcome would be essentially the same: poverty amid potential plenty, universally increasing indebtedness, a shortage of purchasing power and related surpluses leading to a frantic drive for "growth" and for exports, and finally to financial crises, and economic breakdown. In this context the following few examples from a lengthy correspondence in The Accountant, *which continued through most of the last months of 1932, are relevant and we hope will be interesting.*

War Loan Conversion

Sir, - In your issue of the 27th.August, Mr. Waring endeavoured to widen the scope of the discussion on War Loan Conversion, by taking it into the larger sphere of industry and economics. To deal with his letter in detail would alone require more space than I presume you would be willing to allot, but I am nevertheless trying to the difficult task of surveying his letter and some of those on War Loan Conversion in the issue of the 3rd.inst. under this fresh heading. I therefore apologise to him for appearing at first sight to ignore his points whilst imitating his methods, and to take the discussion further put forward the following for consideration: -

1. That the wealth of a country is:-

a. Its capacity to maintain its population on its land.

b. Its heritage, knowledge, experience and culture derived from past generations.

c. The potentialities of the people to utilise (a) and (b), i.e. their capital - to the continued improvement of their standard of living and therefore of their culture.

2. That under the present system the community has no share in the country's "capital appreciation" as it has made over this right to the banking system through the banker's monopoly of credit.

In this connection I cannot admit Mr. Leonard D. Wood's analogy as complete but thank him for amplifying his previous letter. It seems to treat the country as an investment trust concerned only with finance. It is not. It is essentially a producing unit and the "directors" ought primarily to concern themselves with the production and distribution of *goods* to the real shareholders, i.e. the community. To continue:-

3. That there is an abundance of everything to entitle the community to a higher standard of living than was contemplated even by economists 20years ago, but as the credit power of the community does not reside therein effective demand for the increasing productiveness is impossible.

4. That as more and more machines are invented, output per man-hour must necessarily increase with a resulting increase of unemployment in all industries; in other words the world is rapidly approaching "civilisation" and the release of man from drudgery to creative service.

5. That it is therefore imperative that adjustment be made in the financial system so that the whole community, man woman and child, may share in the "wages of the machine."

6. That the endeavour to adjust industry to the financial system instead of the financial system to industry is the cause of not only the present crisis, but, by compelling the peoples of all nations to a mad scramble for export markets which do not exist, of all industrial and political crises, and was the cause of the last war; and if persisted in will result in further war in the immediate future as the only alternative to internal chaos and the only means possible of getting rid of surplus products, human and material.

A fortnight ago there appeared in a certain weekly, an account of a scheme of managed inflation which it was stated "had been under expert examination by the Treasury for some months and would be put into execution in the event of the economic situation reaching a point of emergency." The alternative is easily recognisable as the price-regulation or social credit scheme first conceived and made public by Major C. H. Douglas over ten years ago and brought forward by him in evidence before the Macmillan Commission, and his name was in fact mentioned by the writer but was misspelt. If that author's source of information be reliable and his statement true, it is a damning indictment either of government inefficiency or chicanery or both. As long apparently as the system works in the interests of the financial hegemony, Governments have no power to make alterations, but if the whole edifice is brought near to destruction, then the Government is to be graciously allowed to take the necessary power and responsibility.

I admit, Sir, to having made dogmatic statements in contrast to the economic articles of faith such as Mr. Waring courageously laid down. The present situation however is so dangerous that it calls for immediate action to which dogmatism is a necessary precedent. There is no body more suited to initiate that action than the accountancy profession, and I echo the appeal made by Professor Jones at the conclusion of a recent article to the profession to take its opportunity.

Yours Faithfully
H.R.White.
London, 6th.September 1932

The Treasury and the Douglas Scheme

Sir, - In your issue of 24th.September, under the heading "War Loan Conversion, Trade and Economics," a letter appeared over the signature of Mr. H.R. White, the paragraphs numbered 1 to 6 of which appeared to me to constitute a masterly and informative exposition of the nature of the real wealth of a country.

In the latter paragraphs of his letter, Mr White mentions that some two-three weeks ago in a certain weekly journal he saw a statement which Mr. White interprets to mean that the Treasury have a scheme actually worked out, based on the ideas expounded by Major C. H. Douglas, and that this scheme is ready to be put into operation in the event of the economic situation reaching a point of emergency.

This, obviously, is a matter of such vital importance not only to the country in general, but to the accountancy profession itself, who will be directly affected thereby, that I for one - in common probably with many of your readers - would like hear from Mr. White: -

(a) In what journal this statement appeared.

(b) On what grounds he bases his suggestion that the scheme mentioned is actually formulated from Major Douglas' proposals.

(c) Does he personally believe and has he any evidence to support the view that the Treasury contemplate the execution of the scheme in any circumstances?

Mr. White concludes his letter by saying that "if the authors source of information is reliable, and his statement be true, it is a damning indictment either of Government inefficiency or chicanery, or both," implying that if a technically workable scheme is in the possession of the Government, it should be operated forthwith.

Although, ethically, one would certainly agree with this suggestion, is it not possible that it might be good tactics to wait for a thorough breakdown of the present system, which according to Mr. White's argument is inevitable, before introducing an alternative? The alternative scheme would then have a clear field and the "enemy" would automatically have lost any remnant of effective power where with to oppose it. It is possible that this letter is not of sufficient interest for publication, in which case I should be grateful if you would forward it to Mr. White in the hope that he would be good enough to let me have his further observations direct.

Yours faithfully
Arthur G.Hill
London, 6th. October 1932

The Treasury and the Douglas Scheme

Sir, - Mr. Arthur Hill's letter which appeared in the issue of 22nd October under the above heading obviously calls for a reply from me. I follow the order of his questions:-

The article upon which I based my statement appeared in the *Pictorial Weekly* of 27th.August under the title of "Money - A Scheme that will take your Breath away." The author's name is given as Jack Cherry.

After briefly explaining the ideas of "a new school of thought in economics" and the theory of the national dividend, the author goes on under a paragraph entitled "Money for Nothing - Official" to say that the scheme is sponsored by, amongst others Professor Soddy, and Major C. H. "Daugens," and he continues: -

"Alternative plans for the practical distribution of a national dividend have been worked out in concrete detail, and to let the cat out of the bag, I can say for a fact that one of these plans has been receiving expert official consideration at the Treasury for some months - since shortly before the crisis last August, in fact.

" I can go even further and say that the official view is that in the event of the economic situation reaching a point of emergency, the plan will in all probability be adopted.

"There are two plans, and both have two parts, one dealing with immediate action and the other with ultimate policy, for the dividend would not be declared once only. It would become a regular and permanent feature of our national life."

He goes on to give brief illustrations of the working of the two plans both of which are plans of consumer credit, and the second one touches upon the working of the price factor through the retail trade.

I suggest that this is ample basis for the statement which I made.

I do not express any personal opinion as to the Treasury attitude to the Douglas scheme, but the extract which I have quoted above is, I think, sufficient answer to the second part of this question.

In commenting on my strictures of the Treasury and the Government, Mr. Hill suggests "that it might be good tactics to wait for a thorough breakdown of the present system before introducing an alternative as the alternative would then have a clear field because the "enemy" would automatically have lost any remnant of effective opposition." But who does Mr. Hill think decides the tactics? The Government? But the Government is advised by the Treasury experts and the difference between the Treasury and the Bank of England, Mr. Norman Montague has declared is the difference between Tweedledee and Tweedledum. It must be inferred therefore that the mentality of the Treasury expert is so conditioned as to disallow his recognition of any "enemy" and to render him unable to take up any independent attitude of mind when dealing with any scheme which does not aim at financial result.

The history of governments since the war, amply bear out Mr. Norman's statement; like industry they stand or fall - they will certainly fall - by financial result. Good government has long gone by the board.

It is in any event too much to expect that the necessary combination of courage, character and technical equipment can be found among the careerists who compose Parliaments to initiate a policy and to tell the experts to "get on with it." **Action must come from mass pressure and opinion; hence the need for an outside technical body to state its opinion and to act as a focusing point of public opinion.** The reason that that body of technical opinion is not the accountancy profession may perhaps be found in Mr. Hill's statement that " the matter is of vital importance not only to the country in general, but to the accountancy profession, who will be directly affected thereby." Does the profession then fear the effect? (emphasis added)

Yours Faithfully
H.R.White
3rd.November 1932

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

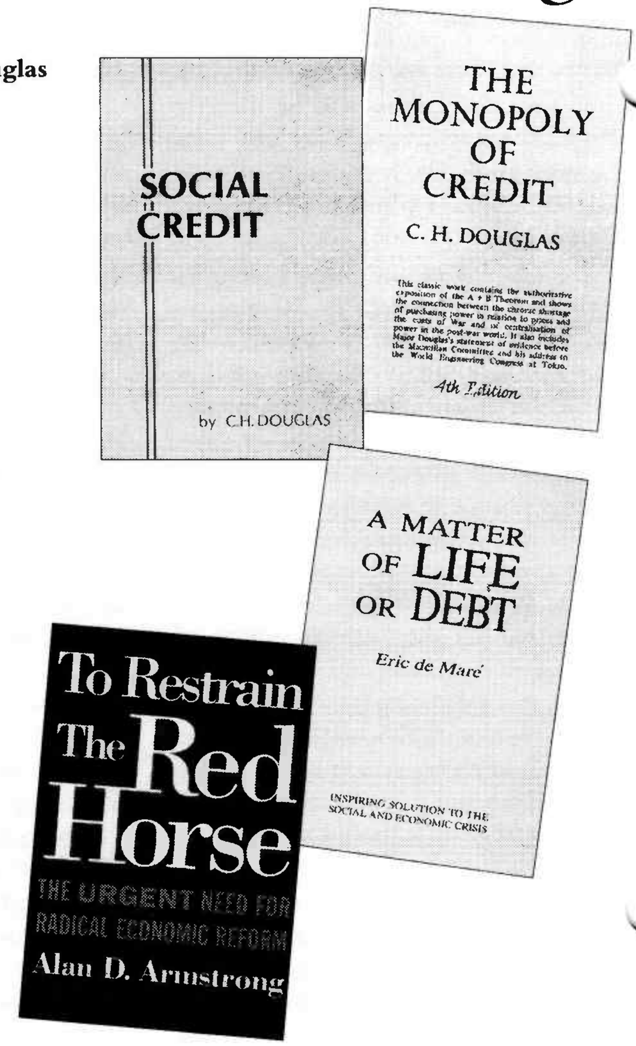
Books by Major C.H. Douglas

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.
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