WEALTH – A CHRISTIAN VIEW

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 THREE: THE MONETARY SYSTEM AS A SERVICE

(Continued from July/August issue of The Social Crediter and reproduced with permission of Stuart Titles Limited)

Having established our general Christian objectives (Part I) and defined the nature and functions of money (Part II) we are now in a position to consider what services are required of our monetary system if we are to achieve these objectives.

CREDIT FOR PRODUCTION

1. (a) Sufficient new credit should be available to facilitate the expansion of the productive system in all directions that are possible and desirable.

This requirement would appear to follow logically from the principle laid down in Part I (1) above. The monetary system has now developed to the stage where it pervades all aspects of the economic system. Virtually no kind of production can be undertaken without the provision of credit, and it is essential to recognise that lack of credit can have the effect of rendering impossible the production of goods and services that are both necessary and beneficial.

The only criterion for the granting of credit for new production should be evidence that the borrower possesses, or has access to, the means of production, including raw materials, plant and labour, that there exists an unfilled need for the production in question, and that it is not anti-social in character. This is the negative side; on the positive side, every encouragement should be given to the development of new processes that will increase productivity.

The question “Is there enough money?” and “Where is the money to come from?” should never have to be asked. The only relevant questions are: “Are there enough materials? Are there enough machines? Are there enough men? Does this project fill a worthy need?”

1. (b) Sufficient new credit should also be available to finance the production of goods and services that are unlikely in themselves to be financially self-supporting, but that are needful for the welfare of the community.

This principle has indeed long been recognised in certain cases, in the sense that a number of essential services have been provided by the State, notably those appertaining to

The Political Economy of Social Credit and Guild Socialism
Frances Hutchinson and Brian Burkitt
Published by Routledge (1997) in its hard back series Studies in the History of Economics. Price £55.00

This book represents a very significant contribution to understanding the roots and continuing significance of the Social Credit analysis and prescription for profound economic reform. Agreeing with the authors that “following half a century of neglect, these texts possess the potential to provide the basis for a new economics of co-operation” the Secretariat has a few copies available to readers at £33.00 including post and packing, on a first come, first served basis.

Please make cheques payable to “KRP Ltd.” and order from: Ronald Macintyre, Secretary, The Social Credit Secretariat, 16 Forth Street, Edinburgh, EH1 3LH.
We have a precedent in the financing of internal and external security, to the The Social Crediter.

The monetary system must be flexible enough to take account of the fact that other essential services may no longer "pay their way", and will have to be maintained in this manner, notably transport, housing, higher education.

We would welcome a high degree of decentralisation in the control of such expenditure, wherever this is appropriate. We have a precedent in the financing of universities, whose funds are to a large extent provided by government grants, but the use and disposition of which is almost wholly at the discretion of the governing bodies of the individual universities. Such devolution of responsibility does not seem to us incompatible with the provision of finance from a central source.

CREDIT FOR WORLD TRADE

2. (a) The exchange of goods and services between nations should be facilitated by all means possible.

The chief essential is that money should revert to its proper function as a register of transactions in real wealth. This means that, as in the case of international trade, money for internal trade must be in adequate supply for all needs, and that exchange rates must be stable. What is needed is an international accounting system complementary to that already advocated for individual nations, which would enable a straightforward record to be kept of real wealth passing from one country to another, and a balance to be maintained so far as is considered desirable.

We feel however that before long it will be necessary to go further than this. The distribution of wealth throughout the world should not be limited, either by the ability of countries to pay in goods (still less in gold), or by their financial "creditworthiness". A system is required that will enable all peoples to acquire what they need wherever it is available; there should be no necessity to insist on a strict balancing of accounts.

International trade should be regarded as an extension of the productive system, with the same objective - the satisfaction of the legitimate needs of the consumer; it should be regarded as an end in itself. If goods are exported from a country, they should be intended only to secure corresponding imports that cannot be produced at home. The purpose of international trade, in other words, should be the diversification of consumption. For the time being we may have to continue to think in terms of a balanced exchange of goods; in this context a so-called "favourable" balance of trade, where exports exceed imports, is undesirable as the so-called "unfavourable" balance. Both these expressions, however, seem to be the result of thinking in terms of money rather than of real wealth.

2. (b) Sufficient credits should be provided to enable underdeveloped countries to avail themselves of more advanced technical knowledge and equipment in the development of their own resources and, in case of need, of any surplus production. It has been stressed above (Part 1 (5)) that underdeveloped countries need to be assisted, not by outright gifts of charity, even if these are without strings, but by enabling them to stand on their own feet. The raising of the standard of living of these countries will be best achieved, not by reducing the standards of technically and materially more advanced peoples, but by making possible the development and exploitation of the natural resources that are still largely untouched. In this task, however, the advanced countries have a role to play in that they possess the technical knowledge and personnel needed to set the process in motion. Once again, purely financial considerations must not be allowed to stand in the way of what is really a Christian duty.

REAL WEALTH AND CREDIT

3. The nett expansion of the real wealth of the community should be automatically reflected in an expansion of the supply of money and credit.

The issue of money and credit, from whatever institutions it proceeds, serves both as a facility for production and as a measure of the real wealth produced over a given period. By the same reasoning, the rate of cancellation or repayment of this credit ought to measure the rate of consumption or depreciation of that wealth. It is evident that in normal times the production of real wealth greatly exceeds its consumption (including depreciation of plant, etc.), so that the monetary system should correspondingly permit the repayment of credit at a much slower rate than its issue.

4. Bearing in mind Part III (1(a)) above, means should be found whereby the production of goods and services can be balanced by the consuming power in possession of the community.

We discussed at length the principle that all production that comes on to the market should automatically be reflected in the provision of the necessary purchasing power in the hands of the consumers.
It seems clear to us that, since the sole object of production is consumption, a system that provided the necessary finance for production, but not for consumption, would be seriously at fault. There is considerable difference of opinion as to whether the present financial system does this, and we shall deal with this question in a later section of this report.

But we feel we should notice here the opinion expressed to us that purchasing-power ought not to be made available for consumption of "undesirable" production. In our view this would introduce into the functioning of the monetary system an element of moral judgement that it could not properly discharge.

In the first place, there do not seem to be any technical means whereby the monetary accounting system could differentiate between "desirable" and "undesirable" consumption. If the monetary system ensures that the production for consumption of the "desirable" goods and services simultaneously generates the necessary purchasing-power, then this will automatically apply to all forms of production.

In the second place, there is no guarantee that the available purchasing-power, if in short supply, would in fact be used for the "desirable" production, and that the "undesirable" production would be left untouched. Experience indeed suggests just the contrary; in times and areas of economic hardship the necessaries of life (to say nothing of health, education, etc.) are neglected, while gambling and the consumption of liquor thrive.

We will not dwell on the impossibility of drawing a hard and fast moral, let alone monetary, line between "desirable" and "undesirable" in this connection.

That the production and use of wealth must be based on sound Christian principles is obvious; but it is questionable whether this is a matter to be enforced from above by government action. In any event it is clear that restrictions of the money supply is an altogether ineffectual method of achieving this result. We would prefer to stress that the responsibility for the right use of wealth rests with the individual, and with those bodies such as the Churches and the schools whose duty it is to provide moral guidance. The monetary system should be designed as to make it possible for the individual to exercise his choice freely in accordance with his conscience.

QUOTe
"It appears that the commerce of the country would not be in the least impeded by depriving the Bank of England of the power of issuing paper money provided an amount of such money, equal to the Bank circulation, was issued by the Government: and that the sole effect of depriving the Bank of that privilege, would be to transfer the profit which accrues from the interest on the money so issued from the Bank to the Government."

FULL EMPLOYMENT V AUTOMATION
5. Wherever paid employment ceases to function adequately as a means of providing livelihood, alternative measures must be available to avert the suffering and human wastage that arises from poverty and want.

We believe that before long this will prove to be one of the most pressing economic and social problems in the developed countries. It goes far beyond the existing problem of "unemployment". The process nowadays designated "automation" has in fact been growing for many years, and numerous examples are available to show the extent to which machine-power is replacing man-power. Hitherto the problem has to some extent been met by expansion of production (notably in time of war), by shortening of hours of work, and by "concealed unemployment", as in the armed services, the civil service (satirised not unfairly in "Parkinson's Law"), and so on. But it seems probable that such measures as these will not prove adequate much longer, particularly if industry is permitted to modernise as suggested in Part III (1) above. Automation is now invading the office world, the last stronghold of human employment, responsible at present for employment of some three million men and women in Britain alone. Opening the Business Efficiency Exhibition at Olympia on October 2, 1961, the President of the Board of Trade, Mr. Reginald Maudling, spoke of the "tremendous waste" in offices in this country. The banking system itself is not immune. News has recently appeared in the press of the 'E13B", the 'common machine language which all British banks have agreed to use as the basis for the automatic handling of cheques and other vouchers... In less than another ten years it is expected that almost all bookkeeping, certainly of current accounts, will be done by computers and the sorting, listing, adding and checking that occupy so much time in a manual system will also be done by electronic machinery... Such equipment is costly and can be economic only if it reduces costs elsewhere. In banking that spells a reduction of staff." (Scotsman, 6.10.61)

THE CHALLENGE OF LEISURE
For a time further shortening of hours may alleviate the situation. But as machine-power continues to replace human labour, the further sub division of tasks will prove impractical, and indeed the human element will have to be more and more highly specialised in capabilities and training. Already the United States, according to a recent analysis undertaken by the U.S.
Department of Labour, is faced with some two million "unemployables." To quote a leader in the Guardian (24.5.61) "the reason for the growing pessimism over the prospect of finding work for these men is to be found in the changing pattern of the demand for labour in the American economy. Over the past eight years employment in manual jobs in American industry has fallen by more than a million and employment in agriculture by another million. Not only have the rapidly expanding service trades and the newly automated industries failed to generate enough jobs to make up the difference; the demand has been for people with either sufficient education to fill white-collar jobs or the necessary minimum of skill needed to enable them to operate complex machinery."

The problem therefore is not simply one of providing against old age, ill health or temporary unemployment - essential though these safeguards will continue to be. We must visualise a situation when it will be impossible to provide "gainful" employment for a substantial and growing section of the population. We are of the opinion that it would be foolish to attempt to retard or reverse this tendency; rather should we look upon it as a challenge and an opportunity - a challenge to solve the economic, social and moral problems, and an opportunity to move on into these fields of human endeavour that can only be explored on a voluntary basis. The "evil" of unemployment resides in two things - poverty due to lack of access to the real wealth produced by the economic system, and misuse of the leisure it provides. The first can be cured by a reformed monetary system, and the second - given the removal of the first - is the responsibility of the moral leaders of society, and of course of the individual himself.

New books

GOODBYE AMERICA
Globalisation, debt and the dollar empire
By Michael Rowbottom
£11.00 pbk (post free in the UK from Jon Carpenter Publishing, Direct Sale Dept., 2 Home Farm Cottages, Sandy Lane, St. Pauls Cray, Kent BR5 3HZ)

This penetrating analysis of globalisation looks to a future where Third World debt, corporate power, the US dollar and the "Washington consensus" no longer dominate global economic policy.
The book analyses globalisation and the international debt crisis as aspects of modern economic imperialism. The history of Third World Debt, its origin in unjust trade and its monetary structure are explored; this confirms that developing nations do not carry true "inter-national" debts. In fact their debts reflect the failure of such institutions as the IMF and World Bank and the inadequacy of trade accountancy and financial systems.

To secure IMF and World Bank loans the developing nations have, for many years, been obliged to submit to the demands of free-market deregulatory economic policies. This blantly corporate-friendly agenda - the "Washington consensus" - has exposed the entire developing world to the commercial aspirations of powerful multinationals, imposing the "hard" currency of the US dollar.

Michael Rowbottom argues that the developing nations should be released from debts that lack both economic and moral validity. The options for full debt cancellation are discussed, and the generally positive impact of this throughout the global economy is stressed. Cancellation would enable developing nations to regain control over their economic policy, focus attention on their domestic needs and pursue more stable pathways to social progress. This would allow a new, more distributed "financial architecture" covering investment and lending, and a new development model for the emerging nations...

THE GROWTH ILLUSION
How economic growth has enriched the few, impoverished the many, and endangered the planet
By Richard Douthwaite
This revised and updated edition is published by Green Books Ltd., Foxhole, Dartington, Totnes, Devon at £12.95.

Since The Growth Illusion was first published in 1992, many economists have come to admit that there is no necessary correlation between economic growth and human welfare. At the political level, however, there has been no equivalent shift, and despite the mounting evidence of the environmental and social damage that the pursuit of growth is doing, the achievement of a high growth rate remains the paramount national goal.

Roughly one third of the material in the newly published second edition of The Growth Illusion is new, or has
been completely revised to bring it up to date. The author shows how:
Those politicians who are well-informed are no longer promising that economic growth will bring ordinary people significant benefits. Growth is now seen as a regrettable necessity - something, which is needed to avoid economic collapse.

- Continued economic growth is causing the British and US economies to run backwards and destroy more resources than they are creating on a sustainable basis.
- Growth is not required for the majority of people to live well even in the very poor countries.

The Growth Illusion takes issue with Adam Smith’s proposition that an “invisible hand” ensures that self-interest serves the common good. Accordingly, it suggests that the nations of the world should extricate themselves from the global system, which must grow continually if it is not to collapse, and build themselves stable, sustainable economies instead.

FANTOPIA
By James Gibb-Stuart.
Ossian Publishers, Glasgow

Book review by William Krehm

Jame’s Gibb Stuart’s Fantopia has the down-to-earth directness of Adam Smith. It reminds us that since the days of Smith and David Hume Scotland has been the repository of much of the common sense and talent that contributed so disproportionately to Britain’s greatness.

With much literary grace it sets out as a parable the case for monetary reform. All bases - the persistent ignorance of the politicians, the amenability of the media, and the omnipresent tentacles of financial power - are portrayed with irresistible understatement. A dry-as-dust but terribly vital subject is transformed into a highly readable tale.

William Krehm is publisher-editor of Economic Reform, Journal of the Committee on Monetary and Economic Reform (COMER) based in Ontario Canada.

CREATING NEW MONEY:
A monetary reform for the information age.
By Joseph Huber and James Robertson
£7.95.
Book review by Frances Hutchinson

C. H. Douglas noted that “it has always been universally recognised that the minting of money is a prerogative of the community, State, Government, or whatever name we choose for the moment to apply to the body politic, and the coming and counterfeiting of it has uniformly been penalised”. He went to analyse the nature of credit which was convertible into money and concluded, inter alia, that:
- All credit-values are derived from the community, regarded as a permanent institution; not merely from the present generation of workers “by hand and by brain”.
- The community does not control credit-issue... at present.

Huber and Robertson essentially agree with these propositions, and outline in their report very detailed and practical proposals for reform of the monetary system designed to ensure, that at last, the community would indeed control the creation of the nation’s money/credit supply and as a result, enjoy huge benefits. In presenting the case for reform of the debt-based money system the authors focus upon the financial benefits potentially available to government policy makers, benefits which are currently denied by the present system of economic accounting.

It is a common misapprehension that mainstream economists are mainly concerned with the world of money. They are not. Professional economists study the production, distribution and exchange of goods and services from so-called ‘scarce’ resources. Their theory holds that money is a mere facilitator of exchange. People sell factors of production - land, labour or capital - in the production process. In exchange they receive money in the form of rent, wages or interest/profits. They consume by spending the money received on the goods and services produced. In the process they indicate their preferences. Once the cycle is complete, the whole process starts up again. Through creation of models economists study the dynamics of the system so that flaws can be eliminated. Therefore, to be taken seriously, any proposals for monetary reform must be demonstrably compatible with maintaining the existing system of production, distribution and exchange. It is my contention, confirmed by reading Creating New Money, that the debt-created money system is the cornerstone of the capitalist system as we know it. Hence its abolition would constitute far more than a minor adjustment to that system.

In economic theory money is regarded as a commodity with four special features. As a medium of exchange, money is generally acceptable because it will be received in return for virtually any other commodity. As a measure of value, money can overcome the difficulty of equating a pile of gooseberries and a plump hen. As a store of value, money allows the exchange of a perishable crop now, so that products can be purchased in the future. As a standard of deferred payment, money allows debts incurred now to be paid in the future. These four features exhaust the functions of money within mainstream neoclassical theory. Economists do not concern themselves with calculations involving actual money transactions. Those are matters for accountants.

In theory, then, production calls forth its own demand: everything is produced by somebody earning...
money, hence across the economy as a whole, everything can be bought with the money earned from production, i.e. Say's Law holds. Over the long run, over-production, under-consumption and unemployment are technical impossibilities. Hence Keynes had great difficulty persuading the economics profession that there could be structural unemployment, i.e. that market equilibrium at less than full employment was an actual possibility. His remedy is now well-known. Less familiar is the consciousness, originating with Thorstein Veblen (author of the highly readable and still topical Theory of the Leisure Class) and developed by Douglas, that money-creation initiates the process of production, and hence distribution of incomes and exchange. Fractional reserve banking has, since the outset of western industrialisation, initiated production for the purpose of trade and exchange. Seventeenth century bills of exchange, cashed in paper money against goldsmith's reserves, gave rise to the economy as we know it today. As Douglas, Joseph A. Schumpeter (The Theory of Economic Development) and many others have demonstrated, under the capitalist system money is not a mere neutral facilitator of exchange, a useful commodity with special properties. Rather, debt-created finance was, and remains, the initiating factor in economic growth and industrialised production.

In this context, monetary reform can take two main forms. Following Veblen, Douglas, Frederick Soddy, Hazel Henderson and many others, monetary reform can be designed to create a wholesome society in which a sufficiency of goods and services can be produced through 'good work' (a reference to Schumacher) and with minimal environmental destruction. In such a society economic growth and international trade on a massive scale are neither desirable nor necessary. As Keynes observed in the 1930s:

"I sympathise, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel - these are the things which should of their nature be international. But let goods be homespun whenever it is reasonable and conveniently possible: and above all, let finance be primarily national." (quoted in Daly and Cobb For the Common Good 1990).

Serious study of the work of these economists is essential if a coherent, logically consistent 'new economics' is to emerge.

The other course, and that taken by the authors of Creating New Money, is to regard the money-creation process as essentially neutral in directing, and indeed defining the very terms of, wealth creation. In this school of thought economic growth and large-scale international trade can be compatible with environmental protection and social equity. They advocate, 'seigniorage reform', a 'basically simply' revision of the banking system which would remove from banks the right to debt-creation of money. Chapter 1 shows how central banks could create all new cash and non-cash (sight deposit) money by crediting new money to their governments as public revenue. The proposal is that commercial banks should be banned from creating new money, becoming mere credit-broking intermediaries. The processes whereby new money would be created are set out in Chapter 2. Chapter 3 explains more fully the measures necessary to restrain commercial banks from continuing the present system. At this point the authors draw a neat distinction between money as a 'means of payment' and money as a 'store of value' without, however, going on to define finance capital and its role in the productive process. Chapter 5 draws our attention to some possible advantages of seigniorage reform. These include greater equity and social justice, reduction in inflation and greater stability in business cycles and banking institutions. The 'simple reform' would take money-creation out from private commercial banks and transfer it to the central bank under supervision of the government. This would reduce the pressure to produce environmentally unsustainable goods, while making the whole system more 'transparent' and generally comprehensible. The final two chapters deal with possible arguments for and against the proposed reform.

The two authors of Creating New Money have impeccable credentials. After working in the Cabinet Office in the 1960s, James Robertson set up the Inter-Bank Research Organisation for the UK banks, and co-founded the New Economics Foundation in 1985. Joseph Huber is chair of economic and environmental sociology at Martin-Luther-University, Halle, and has been active in the International Greening of Industry Network and the Environment Bank. Their practical experience of money and banking, ensures that this report provides a useful resource for monetary reformers seeking a more wholesome
Letters to the Press

The following letter by Eric de Maré, architect, explorer, photographer and long time ardent supporter of Social Credit, is a useful example, which if followed by sufficient numbers, might help to make a difference. Readers of The Social Crediter are encouraged therefore to take up their pens and keep up a steady stream of letters in similar style, to local, national and international media!

Stroud News and Journal
Feb.23, 2000

MORE PROS THAN CONS IN SYSTEM OF SOCIAL CREDIT

Madam - Money reform is being increasingly discussed as the madness of the present system becomes more evident daily. As being an ardent advocate of Douglas Social Credit since the Hungry Thirties, when they were burning wheat to keep up the price of bread, allow me to comment on matters of immense importance to everyone on Earth.

It has recently been written in a Sunday paper that Douglas advanced a kind of Third Way between Communism and Capitalism. This is not so because Social Credit strongly opposes the unquestioning acceptance by both of the slavish and obsolescent Gospel of Toil that still obsesses the world with its universal call for Full Employment. This call grows daily more impossible thanks to the rapid advance in labour-saving technology.

The social credit analysis and proposals are the policy of the philosophy that the welfare and liberty of the individual human being everywhere are more important than those of any organisation and that therefore power must be decentralised right down to the personal level in a true - that is economic - democracy. This can be achieved by the payment to every citizen of a National Dividend representing a fair share of the fruits of the cultural inheritance belonging to us all (of which the microchip is the most remarkable addition) paid as a birthright by the state, extra to any earnings.

The curse of inflation can be eliminated for good by state-ordered Prime Adjustments. We need VAT in reverse to fill the blatant gap between buying power and prices - in the realisation that what is physically possible to achieve must be financially possible.

The present all-powerful monopolisers of credit creation (debts to us) by the world’s banks, which create money out of nothing, must be divested of the biggest con trick in history. The most disastrous effect of the debt system is war, ineluctably caused by the international struggles for export markets in their attempts to fill that lack of buying power at home. Another world war could be ghastly enough to end the human race.

Eric de Maré

Copyright © 1998. Permission granted for reproduction with appropriate credit.

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:
Alan Armstrong,
Gilnockie, 32 Kilbribe Avenue,
Dunoon, Argyll,
Scotland PA23 7LH.
Tel/Fax: 01369 701102
E-mail: alam@gilnockie.freeserve.co.uk

If you do not wish to cut the coupon on the back page, please forward your subscription with your address details.
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.

Recommended Reading

Books by Major C. H. Douglas

- Social Credit
- The Monopoly of Credit
- Economic Democracy
- Wanting 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.

NEW WEBSITE http://www.ecn.net.au/~socred/
E-MAIL ADDRESS: socialcredit@FSBDial.co.uk

SECRETARIAT
Chairman and Editor Alan D. Armstrong BA (Hons) Econ
Deputy Chairman and Treasurer J. A. Murray McGrath FCOptom, DCLP
Secretary Ronald Macintyre BSc (Hons)
Research Officer Alister Lawrence
Correspondent to Vatican Anthony Cooney BA
Historian Richard Brockett, Wollert Hill, Australia
Director, Social Credit School of Studies Vic Bridger, Samford, Australia
Correspondent in Canada Wallace M. Klinck, Sherwood Park, Alberta

THE SOCIAL CREDITER BUSINESS ADDRESS
Subscribers are requested to note the address for all business related to KRP Limited and The Social Credit Secretariat is: 16 Forth Street, Edinburgh EH1 3LH.
Telephone 0131 550 3769 e-mail: socialcredit@FSBDial.co.uk

VOLUME 79 PAGE 52