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INTRODUCING THE DRAFT SOCIAL CREDIT SCHEME

By Frances Hutchinson

The 1962 document "Wealth - A Christian View" (reprinted recently in TSC) came to conclusions entirely compatible with social credit theory.

Nevertheless, although the report concluded by advocating the adoption of an economic system free from the pressure to wasteful economic growth, environmental destruction, international competition and warfare, it failed to spell out how that might be achieved. In my view the Draft Social Credit Scheme, published in 1920 as "The Draft Mining Scheme", presents a sound basis for development of a sustainable economy founded on the Christian values of co-operation and social justice.

A CHRISTIAN VIEW OF WEALTH

The Dundee Report of the Congregational Union of Scotland came to three main conclusions.

1. Money should be created as a useful tool for society as a whole, rather than as interest-bearing debt for the benefit of a select few.
2. Banks create financial credit in order to secure interest on debt. The real credit of the nation consists of workers, skills and natural resources. Finance should bear a clear relationship to those physical facts.
3. The existing system of finance is based on international economic competition leading inevitably to warfare. The system is reliant on economic expansion through wasteful production of armaments, at the expense of producing a sufficiency of consumer goods. It is therefore a Christian duty to devise and introduce an economic system based on welfare, peace and co-operation.

A careful reading of Douglas' original works, or failing that perusal of our explorations of his work, will identify these key conclusions as entirely consistent with Douglas' social credit writings. For example, in *The Political Economy of Social Credit and Guild Socialism* compare pages 39-40 with point (1) above, pages 40-43 with point (2), and pages 69-72 with point (3). As Douglas crisply observed in debate with Hawtrey in Birmingham, "I do not regard it as a sane system that before you can buy a cabbage it is absolutely necessary to make a machine gun". As Nobel prize winning economist Sir James Meade explained, although Douglas' work was rejected by mainstream economists because it did not accord with mainstream theory, this does not automatically discredit Douglas' analysis. Far from it. The question at issue is which brand of theory, mainstream or social credit, most closely accords with practice. In order to form a judgement on this matter it is necessary first to review mainstream theory.

Mainstream Economic Theory

Students of economics are instructed to adopt certain prior assumptions in order to analyse economic data. A central notion in economics is that individuals act as rational economic agents outside, and independent of, their roles as social beings with social responsibilities as citizens, family members and so on. Economics is the study of pure economic behaviour, and does not concern itself with morals, ethics or other 'normative' judgements based on notions of 'right' and 'wrong'. In this elegant way of looking at economic issues, the student is told, it is necessary to distinguish between needs and 'effective demand'. Effective demand is demand backed by money. This is the only form of demand recognised in economics. A starving person may need food, but if they have no money, they and their need do not register as an economic fact. In terms of economic theory it is wrong to take any account of need if it is not backed by money.

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Demand, i.e. wants backed by money, calls a supply of goods onto the market. Goods are supplied for money, and demanded by money. As more of a particular commodity is demanded, its price will rise. This will cause more of it to be supplied. As more of a commodity is supplied, its price will fall until it reaches its 'equilibrium price'. The same is true for all commodities across the economy as a whole, and is described in terms of the 'circular flow'.

In theory, the economy as a whole tends to equilibrium. According to circular flow theory, people offer factors of production, land, labour and capital to businesses, so that goods may be produced. In return money incomes are paid to the households of sellers of factors of production. Households take the money income and spend it on the commodities which have been produced. Any imbalance between goods produced and goods consumed is due to temporary causes which it is the task of economists to seek out and eradicate (or at least explain). Left to itself, the free market allows demand to create its own supply, and vice versa. Hence, in theory, the circular flow of production and consumption should proceed like clockwork. Money acts as a neutral arbiter of supply and demand, through price.

In short, according to economic theory every sale is also a purchase, and every purchase is a sale. Businesses supply what households want, and households supply the factors of production that businesses want. Hence the economy tends to equilibrium over the long run. Finance merely oils the wheels of the clockwork economy. The problem is, as Douglas observed, the economy doesn't actually work like that. Goods produced in the present period are not consumed in the same period. Goods exist in two time periods, the one when they are produced and the one when they are consumed. There is therefore no necessary or automatic match of money in circulation with goods available for purchase.

At the core of Douglas' analysis was an elementary observation. By examining the real-life relationship between the financial system and economic activity it would be possible to convert the system from dictator to handmaid, making finance a tool rather than a power system beyond human control. The banks' monopoly of the creation of credit could be brought under social control by recognising the social nature of credit.

The Money Illusion

Before the industrial revolution the formal cash economy governed the daily lives of only a very small minority of the world's population. The introduction of cash crops and industrial production systems on a global scale has given rise to the illusion that natural cycles can be replaced by commercial cycles based on the circular flow. Production and distribution of agricultural and industrial goods is presently governed by financial rather than social or ecological considerations. However, the fact remains that human life on this planet is completely dependent upon social co-operation and ecological sustainability.

Finance and the circular flow economic system appear to have evolved in a natural progression of development from 'primitive' dependence on the soil to sophisticated dependence on a global financial system. Douglas questioned the very notion of progress in so far as it was based upon production of an ever-expanding output of armaments and wasteful consumer goods designed for early obsolescence. He put himself beyond the pale by asking the fundamentally heretical questions, Where does money come from, and who makes it? To economists, such questions are on a par with challenging parental assertions that babies arrive under gooseberry bushes. It simply is not done.

The Draft Social Credit Scheme

In real life, production occurs when people co-operate on the land and in industry. Natural materials are transformed into foods, fibres, fuels and other useful artefacts through labour and the co-operative use of the common cultural inheritance. The latter consists of the accumulated skills an knowledge belonging to human society and built up over past generations. No production takes place in isolation. All production occurs through co-operative endeavour. It follows that the claim of any individual to a share in the communal product by right of their individual contribution must be minuscule. Individuals do not create wealth on their own. Co-operation, not competition, creates wealth.

Douglas examined the conditions under which finance drew people into the productive process. He distinguished between production of goods and production of money. It is possible to produce food and useful artefacts by using tools, natural materials, labour and inherited skills. Money does not have to be involved. However, under our economic system, land, labour, skills and tools can lie idle, while needs are unmet, all because of the absence of money to initiate the production process. Money is necessary to buy tools and raw materials and to hire labour. However, money will only be forthcoming if there is likely to be a demand for the particular form of output, i.e. demand backed by money. Money (in its various forms, see James Robertson's recent TSC article, Nov-Dec 2000) is created by banks and financial institutions almost exclusively as debt. Money is advanced to a new venture on the basis of careful calculations of risk by financial institutions. Once investment loans are agreed, the firm can pay out wages, salaries and other forms of income to households. The financial system therefore determines what is produced, not according to social necessity or ecological practicalities, but according to purely financial criteria based on purely financial data. Decisions based upon such calculations are portrayed as 'rational' in contrast to 'normative' decisions based upon subjective values arising from moral or ethical stands. The present system is, nevertheless, highly normative in its rejection of all value-systems save that of money values.

Douglas proposed an intriguing adaptation of the money and banking system in order to secure social control over the money creation process. His draft social credit scheme envisaged all the producers in an industry combining together at local level. By forming a "producers' bank", all employees in an industry could be involved in developing a meaningful relationship between financial wealth on the one hand and real wealth (the potential to produce inherent in the factors of production and the common cultural inheritance) on the other. The scheme would involve detailed calculations and constant adjustments of output and prices. Complex calculations were already a feature of the evolving commercial world. The Douglas proposals differed merely in the open accountability not only to the 'producers' (the entire workforce in an industry) but also to the local community and its ecological environment.

Although the draft social credit scheme was based upon devolutionary principles, it would necessitate the adaptation of the national financial infrastructure, including creation of a central clearing house and provision for the national debt to be converted into a national asset, as a resource for government expenditure to replace direct taxation (these ideas were adapted and developed by Sir James Meade (1993)). Although the original scheme was based upon the UK mining industry, which was experiencing severe problems as a direct result of the financial system after World War I, it could equally well be applied to any 'industry', including health, education and other forms of productive exercise of essential skills. In the present climate, application of the draft social credit scheme to farming would appear particularly appropriate.

Conclusion

Douglas' social credit proposals have lain dormant throughout the closing decades of the twentieth century, despite their undoubted relevance to bodies such as the Congregational Union of Scotland who have raised fundamental questions about the economic system. The problem in large part stems from the unsound and decaying body of economic theory which continues to dominate the political economy of western nations. Despite well reasoned critiques, so-called free market equilibrium theory has ruled the teaching of economics, allowing marginalism and econometrics to create an aura of mystique impenetrable to lay people. For too long individuals who are perfectly capable of following a logical line of argument have allowed themselves to be blinded by figures, or perhaps more accurately the fear of mathematics. As economists, politicians and citizens, it has been all too easy to accept statistics as a form of reasoning without pausing to examine the assumptions underlying the data collection and analysis. This I am seeking to amend, with the valued help of several distinguished academics (See Hutchinson, Mellor and Olsen 2001).

In practical terms we now have the situation that goods are produced for financial reasons, regardless of their usefulness or disservice to society and its ecological support systems. It is financially cheaper to preserve, package and transport food from continent to continent, rather than to produce it locally. Farmers have been under financial pressure to intensify crop and animal farming, using petrochemicals and selling to massive food manufacturers, with devastating effects in terms of soil erosion, climate change, animal and human welfare (See Selly 1972 for an early warning well prior to the BSE crisis).

Vast quantities of the earth's resources are expended on producing profitable foods, regardless of their nutritional value. A typical 16th century meal would consist of exactly the same foods as a 21st century meal: soup, meat, vegetables, bread, cheese, fruit desert and ale. However, once the food leaves the farmer the financial value of the food soars. As Vandana Shiva explained in her Reith Lecture, in Canada a bushel of corn sells for less than $4, while a bushel of cornflakes sells for $133. While food 'manufacturers' add financial value, they appear to be reducing the nutritional values of diets. As Coca-Cola machines displace school milk, childhood problems with diabetes, heart disease and osteoporosis increase manyfold. There is as yet no evidence that the problems are linked to diet, but lack of evidence to the contrary should indicate recourse to the precautionary principle. Ditto for genetic manipulation of crops. It is time to drop the universal cry of "But where's the money to come from if we want change?", in favour of Douglas' fundamental question, "Where does money come from, and how can we change that?" The Draft Social Credit Scheme provides an excellent starting point.

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Frances Hutchinson is a leading authority on social credit. She teaches economics at Bradford University and is the joint author of numerous books and research papers, including "Environmental Business Management: Sustainable Development in the New Millennium" (McGraw-Hill 1997) and "The Political Economy of Social Credit and Guild Socialism". (Routledge 1997).

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.

THE DEBATE CONTINUES

The final part of the published Report, continued from September/October 2000 issue of *The Social Crediter* with permission of Stuart Titles Limited.

JULY, 1962:
"A Layman" in
"*Scottish Congregationalist*":

Undoubtedly, leadership on this problem should be welcomed, but does the Report presented at the May assembly provide this? To many laymen who, like the writer, have spent their lives administering wealth or examining and reporting on its administration, it can only bring disappointment...

What was the Committee's task?... was it, primarily, a Christian Doctrine, applicable to Wealth in all its manifold forms, rather than the limited and much more specialised question of the Financial or Monetary System...a subject fully covered by the Radcliffe Report?

What of the Committee's findings? Their first conclusion states: "The existing system of debt-finance, whereby practically all money comes into circulation as interest-bearing debt, is prejudicial to human well-being."

What do they mean? Is it a condemnation of debt, of interest charged, or both?

(a) If one condemns debt, one condemns credit. Debt is merely the reverse of the credit "coin". I believe that Congregationalists and other Christians approve of credit-finance as a system, giving, and capable of giving, good service at every level, local, national and international. **What they do condemn is excess**, whether in relation to debt, alcohol, profit, over-time, saving or consumption. Without credit or loans, based on the right to levy taxes or rates over long periods, payable to some extent by future generations, how can trunk roads, harbours and many other long-life facilities be most readily provided nationally and internationally, in the interests of the common weal?

(b) Again one must ask "Do Christians condemn rent or hire, insurance to cover risks, and the mutual profit motive of a satisfied buyer and seller of services?" It is these three elements that are comprised in interest. Surely one may be providing a service acceptable to both God and the community, irrespective of whether one collects rent directly, or indirectly, under the name of interest?

Do Congregationalists condemn endowments, pension and super-annuation schemes, building societies, life and educational insurance, savings banks, Government savings schemes and loans? Surely not. Yet all these depend very largely on interest enabling them to provide benefits for the community by their services.

It is possible that our Committee have confused interest with "usury" ... the practice of charging **excessive** or illegal interest for money on loan?

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AUGUST, 1962:
L.P. Elwell-Sutton in
"*Scottish Congregationalist*":

What was the Committee's task? As stated in the introduction to the Report, this was to fulfil remits from the 1958 and 1960 Assemblies "to examine the financial system from the Christian standpoint".

Quite apart from this specific instruction, it soon became evident to nearly all of us that the wider implications of the *Christian Doctrine of Wealth* could not be considered without first tackling the monetary system. As long as economic and social priorities are determined by monetary standards, and if these priorities are frequently wrong from a Christian point of view, we are bound to conclude that the present monetary system is failing to perform the service demanded of it.

The Radcliffe Report, referred to by your critic, contains not a single reference to Christian principles. It had, indeed, about as much relevance to our enquiries as a description of the internal combustion engine would have to the problem of travel between Edinburgh and Glasgow. By the same token, the views of accountants, actuaries, professors of economics, and other exponents of the present monetary system, while heard with attention, could not be allowed to outweigh the more fundamental misgivings that assailed us. As our Chairman observed at the first meeting in 1960, "our job is not to tell the expert how to do his job, but to tell him what his job is"...

What of the Committee's findings? This, the most important of your critic's questions, is best and most fully answered in the Report itself...I would say this:

a) To equate debt with credit is to say black is white. The Report's criticism of the present financial system is that it misrepresents the community's credit - its real wealth - as a monetary debt. Your critic merely states, as we do, that under the present system the provision of "trunk roads, harbours, and other long-life facilities" is impossible without debt; he had not proved that from a Christian point of view this is either good or necessary. We believe it to be bad.

b) Our Report does not condemn outright (though like the medieval Church it expresses doubts about) the levying of interest on private debt. It does, however, condemn the levying of interest on money loans provided by the banking system through virtually costless techniques of ledger entries. Once again, your critic has not shown that interest must inevitably play a part in pension schemes, building societies, etc., merely that it does so within the present system.

The present monetary system performs an essential service expensively, inadequately, unjustly and with detriment to human well-being. That is the burden of our complaint.

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AUGUST 6, 1962:
The late Mr. Norman Smith, formerly Labour Co-operative MP for South Nottinghamshire:

The Committee has produced a valuable document, stating its findings clearly and with restraint. I hope the Report will be circulated widely among people in a position directly or indirectly to influence monetary policy.

But I am aware of the obstacles in the way of exposing the system of debt-finance. For eleven years as a journalist on the Daily Herald, and for ten years as a Member of the House of Commons, I found myself in isolation when I sought to say what your Report says so well. Where does one go from here? I trust your Committee will not leave the matter where it now stands.

* * * * *

AUGUST 24, 1962:
Hamish Fraser in "*Scottish Catholic Herald*":

In *Rerum Novoram* Pope Leo XIII denounced the "**rapacious usury... still practised by covetous and grasping men**". Forty years later, Pope Pius XI found it necessary to be even more explicit, and in Quadragesimo Anno he referred to the "domination... most powerfully exercised by those who, because they hold and control money, also govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood to the entire economic body, and grasping in their hands, as it were, the very soul of production, so that no one can breathe against their will".

Ever since Pope Leo's time, schemes for monetary reform have been of particular interest to Catholic writers and thinkers. In our own time, Colin Clark has advocated the establishment of a commodity-based currency as a means of dealing with the problem of post-war inflation.

It would, however, be quite misleading to suggest that interest in monetary reform has been anything like a Catholic monopoly. This problem has intrigued a great number of people from time to time, particularly in periods of unemployment.

But prior to the present epoch in Scotland, which is characterised by both unemployment and a rapprochement between us and our separated brethren, I cannot recall any specifically Scots Protestant interest in this question.

In a sense, therefore, the publication of the first Report of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland is doubly a sign of the times. For in this Report... it is stated: "We believe that the existing system of debt-finance, whereby all money comes into circulation as interest-bearing debt, is prejudicial to human well-being, a drag on the development and distribution of wealth, finds no justification in the nature of things, and perpetuates a wrong conception of the function of money in human society".

This is the private conviction of a considerable number of Catholics. On the other hand, many Catholics prefer to regard the financial set-up as a reflection rather than the cause of the prevailing economic disorder.

I myself take the latter point of view. I certainly would not go so far as to maintain that there is no place in the economy for the rate of interest, the essential function of which is to equate the demand for loan capital with its supply. Even the interest charged on bank loans is thus justified as a social mechanism.

What is quite unjustifiable, however, is that this levy on investment should be a means of profit for the banking system. I agree entirely with The Christian Doctrine of Wealth that the banking system simply "monetises the credit of the community", and that in respect of this service "there cannot be any justification for the levying of a charge...beyond a sum sufficient to cover clerical and other costs".

But is there any reason why the difference between such a modest charge and the prevailing rate of interest could not be "socialised" - i.e., appropriated by the Government as a substitute for the many taxes now levied?

To suggest that "socialisation" of the rate of interest in this way, and the overall control of credit policy by the Government, is one thing however; it is quite another to suggest that the banking system "in its entirety" should "revert...to the full control of the State".

The case against this, quite briefly, is the case against the Third Reich. To enable any Government to grant loans to whatever enterprises it arbitrarily chooses and to deny loans to, and thus destroy, such enterprises as it wishes to eliminate, is to invite totalitarianism.

This, however, is certainly not the intention of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland. Their primary concern is simply to ensure a rational deployment of human and natural resources in accordance with Christian principles.

The Christian Doctrine of Wealth is therefore a most welcome and timely document which cannot but provoke discussion on social matters among Scots Christians everywhere.

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AUGUST 29, 1963:
John Allan May in "*American Banker*":

The Congregational Union of Scotland has caused a stir by publishing a report for which it claims that "for the first time in 400 years a Christian Church has spoken out about the financial system". The main fault the committee finds with the banks is that " when a bank makes a loan, it monetises the creditworthy customer, admittedly a necessary service. But when it has done this, it hands him back his monetised credit as a debt to the bank plus 6%, 8%, or 9%".

The true basis of credit, the committee goes on, is found in men, labour, skill and productive power. The creation and function of money, it says, "ought to bear a strict relation to those physical facts and nothing else". The report has been severely attacked by economists and accountants in Britain.

While every modern country struggles with the problem of inflation, the logic the committee uses draws it inevitably to the conclusion that there is a permanent shortage of money.

The same logic makes it possible for the committee to conclude at one and the same time that wealth is production - plus service, but that somehow the wealth of the west is dependent on armaments. Yet both the propositions cannot simultaneously be true. For obviously armaments are a waste of production. Were that waste eliminated the west would be wealthier not poorer; it would face greater prosperity not disaster.

The main criticism, perhaps, is that although in its preamble the committee points out that "Wealth must be 'spiritually discerned', that is seen in the light of the purposes of God, before it can be seen aright", its discussion of the monetary system and of economic theories is exclusively materialistic.

[Ed. C.D.W. We entirely agree, and indeed say as much, that "armaments are a waste of production". If such waste could be eliminated, the world certainly **ought** to be a more prosperous place. The fact that the **financial** soundness of our economy depends on the continuance of this waste seems to us the most eloquent proof of the contradiction inherent in the present day monetary system.]

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SEPTEMBER 1, 1962:
American Labour Union official:

The credit apparatus has always puzzled me, for exactly the reason you point out - that government issues the credit and then has to pay interest on it to the banks. In a sane society the whole thing will be seen to be as silly as it really is. But I can imagine that even the Congregational Union of Scotland will have some little trouble in getting their view-point across to the financial community which controls our economic lives.

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SEPTEMBER 29, 1962:
"*Dunfermline Press*":

A shocking document? This first report of the Christian Doctrine of Wealth Committee of the Congregational Union of Scotland will wound the susceptibilities of many a generous supporter of the Church, and will deflate the ego of those who accept the doctrines of orthodox finance as an extension of Holy Writ.

It has historical significance, too, for it is the first official statement from any Protestant Church on the true function of money in society since Calvin's day. It is worthy of that distinction, for the authors of the report have faced their task with clear and courageous minds, and have recorded their findings in terse, readable prose.

They have eschewed rhetoric preaching, and vague expressions of pious hopes. They have gone on to the heart of the problem of money - the accumulating debt, the charging of interest, or usury, as it used to be called.

The Christian Doctrine of Wealth probably will, and assuredly should, create widespread discussion, and a great deal of heart-searching, in the Christian community...

If you value your peace of mind do not send for a copy of this report...

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OCTOBER, 1962:
Dr. John Highet, Lecturer in Sociology in the University of Glasgow, in "*Rally*":

Most people will find themselves in sympathy with the Committee's criticisms of the working of the present system, and there will be general agreement that the above [the aims listed in Part 1 of the Report. Ed.] are among the aims that a Christian society should set itself.

Some, however, will have reservations as to the practicality of some of the Committee's proposals, and there will be a few economists who will smile condescendingly at these pages and, no doubt, mutter things about the temerity of a bunch of laymen (in the sense of not being professional economists) imagining that they can understand the technical issues, that raise themselves and, in however well-meaning a way, put the society to rights with a few visionary expressions of ideals and reforms.

Nothing of this really matters, and the Committee, while realistically expecting some such reception as this, should not be unduly dismayed if it comes to be.

Economists tend to think of their discipline as self-contained and insulated from non-economic factors and considerations or, when they recognise the relevance of political factors (for example) tend to shy off the discussion of these as "ideological" or in some way "not proper questions for economists". This, indeed, is all the more reason why reflective Christians should consider economic problems and make their voice heard. In the first instance, it is of little account that they do not speak as experts. What is required is to show the ideals to aim at, and let the experts work out the way to achieving them.

Churches have too frequently shunned consideration of the kind of questions discussed in this Report as "too technical". The Congregational Union of Scotland, and not least this Committee, have shown singular courage in "having a go", and it is to be hoped that not merely that Union's own members, but Christians throughout Britain and elsewhere, will be stimulated by this splendid example into thinking about these matters. It does not detract from this tribute in the slightest to suggest one or two weaknesses in the Committee's argument and at least one issue that the Committee might look at again.

Is it really the case, as the Report seems to suggest, that "selfish materialistic values" are "consequent" on insecurity and fear, and would have less hold on men if the latter were eliminated?

Sociological study of affluent societies such as Sweden suggests that materialism becomes more rampant as standards of living rise - at least where counter-forces such as the Church might provide are ineffectual. Again one wonders if the Committee fully appreciates the extent to which long decades of living in the sort of society it rightly criticises has conditioned men to accept its features as "natural" and "right", and consequently how long a process of mental refurnishing and spiritual growth will be necessary before the changes the Committee would like to see are deemed acceptable.

But these, and other similar hesitations one might confess to, are as nothing beside the fact that the task was undertaken with fortitude and sustained application and with an encouraging degree of success. What really comes out of the Committee's deliberations is that so-called Christian societies are not Christian at all in many important and powerful aspects of their lives. If it were otherwise, they would long ago have been sensitive to the shortcomings of the economic systems of the large industrialised nations and would have insisted on reform.

Formal Christianity has for centuries proceeded in a non-Christian context against which it has made little protest. The challenge of this Report is primarily a call to Christians to think more about what being a Christian means in practice in the modern world - both for the individual and for corporations and institutions.

We should be grateful to this small Christian body for recalling their larger and wealthier brother-organisations to this increasingly urgent duty.

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OCTOBER 1, 1962:
T.V. Holmes, Saffron Walden:

Money has no "reality". It is only a "unit of account", and as such is the **servant of the Account**. The Report is equivocal on this fact. In one place it is true, it states that "the community is always in credit to the extent of its accumulated real wealth" - which places the Credit Account as primary. But in another place it speaks of the "malfunctioning of the present money system", when it is the malfunctioning, or rather the non-existence, of any valid Credit Account which is the fault. The Report admits that "a new and unorthodox approach to accounting technique is required", but does little to clarify the nature and principles of the "accounting technique".

Thus considered, the statement that "the issue of money is, or ought to be, a prerogative of the State" is a half-truth. The issue of "credit instruments" (money) is, or ought to be, the prerogative of the credit account". The state should be no more than the bookkeeper of the Credit Account.

Thus considered, the conclusion that "society will be forced increasingly to distribute the means of livelihood among its members other than by way of paid employment" should rather read that society will be forced increasingly to "credit" its members, considered as individuals, with the full measure of their "Real Wealth" Credit Account.

Thus considered, the statement "once let it be assumed that these figures (in a ledger) stand for something of intrinsic value, and it is legitimate to claim that the lender is entitled to be repaid in kind and levy interest" is again only a half truth. The "figures in a ledger" stand, or ought to stand, for the community's "Real Wealth" credit, and as such stand for "something of intrinsic value", which would in no sense be the property of the Bank. Nor is there any valid reason why the **rightful** owner of the credit should not lend his property to another at interest if he can find anyone willing to pay for it.

The radio and press are constantly quoting the "cost" of a job as so many "millions of pounds", as though the "cost" was a question of "money", and not of "effort" expended. Were "cost" expressed in "drawings" upon the community's real credit potential, what a different picture would arise. That would indeed assume that "figures" did stand for "something of intrinsic value", and would soon dispel the miasma of fraud and deceit which at present surrounds the "money question"...

The "wealth of the world" consists a) of "property", real and personal, which rightly "belongs" to the individual possessed of a valid title, and b) of "credit", real and financial, which rightly "belongs" to the community considered as individuals which alone gives life and soul to the "property". "Communists" contend that all "property" and all "credit" should belong to the State, to administer in whatever manner it thinks right. "Social Creditors" contend that all "property" belongs to certain individuals, but that "credit" belongs to **all** individuals comprising the community, with the State only entitled to such claims to "property" and "credit" as its owners may decide to accord.

Can the "distribution of wealth on a world-wide basis... regardless of national frontiers and national "ownership" be affected **without** a "domination of man by man"? How will this new "monopoly of distribution" differ from the old "monopoly of credit"? Would not such a "Distribution Monopoly", whether called "charity", "unity", or what you will, be in fact a "Power Monopoly" under a different name?

"Christians who feel it their duty to guide and help their neighbours will best fulfil it neither by indiscriminate charity nor by enforcement of rules of conduct but by helping each man to make the most of his potentialities. The individual must be free under God to make his own choice, and to bear the responsibility of making the right one", says the Report. But how would this be possible with "government", worse still "world government", "charity", no doubt enforced and organised by the World Bank? Charity is a personal thing, and **involuntary charity**, whether by State "ukase" or "majority rule" ceases to be charity. Let those who give, give. Let them form associations for the giving. But let them make quite sure that their gifts are acceptable to the recipients and are of a kind which will help them to help themselves to reach a normal trading position.

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OCTOBER 28, 1962:
Anthony Vickers,
B.Sc., M.I.Mech.E.:

I have read with great interest your First Report of the Christian Doctrine of Wealth and trust it may have a very great influence on this vital subject. Having been an unorthodox student of monetary matters for 30 years, I am in the fullest agreement with the principles put forward, and there can be no question that were they put into practice, Christian teaching would mean much more to many millions of people throughout the world.

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NOVEMBER 6, 1962:
Sir Henry Kelliher,
Managing Director, "*The Mirror*",
Auckland, N.Z.:

Cable. Consider Committee's findings most constructive and positive contribution to greatest problem confronting Western world today. The monetary and economic reforms indicated are practical and essential and must be given effect to if freedom and any semblance of social justice is to be preserved. Church leaders and governments should be compelled to take urgent action. Very impressed with competent and factual exposition of financial system and its devastating effects on the people as a whole.

Letter: What is wanted is a crusade in which all Church leaders and men of goodwill could unite and bring pressure to bear on the Government to carry through a sound reform of the existing monetary system. It is well known, of course, that the present system is obsolete, and the main deterrent to the full utilisation of available and potential resources.

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NOVEMBER 23, 1962:
W.H. Marwick, Lecturer in Economic History in the University of Edinburgh, in "*The Friend*":

With the general principles enunciated in the Report on The Christian Doctrine of Wealth, similar as they are to those of our own Social Testimony, and with much of its detailed affirmation, most Friends will be in sympathy. Attention may therefore be concentrated on its more controversial arguments on monetary and financial policy... The importance of these monetary factors was under-estimated before World War I. In the depressed inter-war period the adherence of those in authority to "sound money", and attempts to maintain the Gold Standard, coupled with scepticism as to Government intervention, evoked criticism...J.A.Hobson had hitherto been almost alone among economists in asserting "under consumption" as the fatal flaw in the economic system, and in attributing it to mal-distribution of wealth, resulting in excessive saving by the wealthy and lack of purchasing power for the masses. Major Douglas went one better, by insisting on a permanent deficiency of spending power in the community, and demanding expansion of "social credit" to rectify this.

Keynes popularised what was of truth and value in these theories. The "Keynesian revolution" has made his recommendations acceptable by all political parties as a guide to Government policy since World War II. The "revolution", as Burke said of that of 1688, is perhaps a "revolution not made but prevented". The parallel is close. As the tacit alliance of the landed classes and the rising commercial and financial interests who "had never had it so good" postponed political reform throughout the eighteenth century, so the adoption of the Keynesian fiscal techniques has buttressed the "capitalist system" by providing the "affluent proletariat" (as they were recently described) with full employment and social security.

One result is probably an exaggerated impression of the influence of financial policy in maintaining economic stability. While it may be conceded that this policy has so far averted the mass unemployment of the 'thirties, it has done so at the expense of a continuous inflation, which has provoked demands for increase of wages and salaries, thus promoting a vicious circle of higher prices, and injuring the standard of the less protected "fixed income" sections of the community. The growth of Government expenditure, largely for "non-productive" "defence" purposes, has involved a high level of taxation, also inflationary in effect. Governments have given successive jolts to the economy by trying alternately to apply "inflationary" or "deflationary" instruments, without securing lasting equilibrium.

If this analysis is accepted, it throws doubt on the complete validity of the argument of the Report, which savours, in approach, the language of the "Douglas Theory", and seems to reflect the inter-war rather than the post-war situation in finding the root of economic evil in the Monetary System. The defect of that system, however, is not a continuous deficiency of credit, due to the banking system, but a fluctuating relationship of credit to productive and consumption needs, intensified by expansionist or restrictive variations in governmental policy, since Government has now accepted the function of regulating credit. "The creation of bank money", says Mrs H.R.M. Groome (*Introduction to Money*), "is not arbitrary and unrelated to the creation of real wealth... There is however, a great deal of room for error".

Since the nationalisation of the Bank of England and of the power to instruct the Joint Stock Banks (which almost invariably follow the Bank of England's lead anyhow), allegations of a virtual monopoly of credit by the banks, guided by their sectional interests, can be justified only by asserting that (to borrow a popular misquotation of Marx) "the Government is the executive committee of the capitalist class" - a "notion" for which some activities of the Macmillan administration may give some warrant.

The desirable solution (to quote the Report) of "a constant balance between the sum of prices and the some total of purchasing power available to meet them" seems doubtful of attainment without a much greater central direction (for good or ill) of the whole mechanism of production than the Report contemplates, or than has yet been tolerated save under war conditions.

The Report's condemnations, like that of medieval scholastics, of interest ("on a bank loan") as immoral needs further examination. In the purely economic sense "interest" represents a real fact, the difference between "money now" and "money later on" (H.R.M.Groome), irrespective of the social system. The real moral issue is who is to receive the interest: whether, as Bernard Shaw put it, some suffer "abstinence" and others receive its reward. The "growth of debt" is rightly stigmatised. It is probably true, in the words of the malicious parody, that "never did so many owe so much to so few".

The Report's demands for "the expansion of the productive system in all directions that are possible and desirable" and for "the highest possible standard of living for all" require reconsideration in the light of the criticisms of "Affluent Society" expressed, for example, in the recent Friends Home Service Committee Study Outline (*Christian Life and Morals in an Affluent Society*). The Report's assertion that "unemployment, so far from being an avoidable evil, may before long become a necessity and even a blessing" is ambiguous. Birmingham Friends have found it difficult to formulate a "Christian conception of work" (see articles by A.Leslie Laycock, *The Friend*, Sept. 21 and 28). Is not the principle implied in the Report better expressed by the old phrase: "From each according to his abilities, to each according to his needs" - simple in principle, if not easy to work out in practice?...

The main criticism of the Report is, then, that in rather cumbrous and sometimes repetitive elaboration it concentrates its challenge, somewhat unconvincingly, on certain features of the present financial system. It suggests the questions: Is not the Monetary System only one aspect, if a very important one, of a society based upon individual acquisitiveness? Can the most perfect Monetary System function to secure human welfare if production and consumption, buying and selling, continue to be determined by self regarding motives?

It is, however, gratifying that a religious body should devote so much attention to so mundane a matter as money. It is to be hoped that the Report will stimulate Friends, more than of late, to study the causes of social evils, and to take their rightful share in seeking to remedy them; especially those inherent in our un-Christian economic order - or rather dis-order.

* * * * *

NOVEMBER, 1962:
"*The Congregationalist*"
(Carrickfergus, N.Ireland):

Much honest thinking has gone into the compilation of the report, which is a document which none concerned with the Christian ordering of society can afford to neglect.

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DECEMBER, 1962:
Dr. Stewart Mechie in
"*Life and Work*":

Since the late Archbishop William Temple made some forthright statements about the monetary system no prominent Churchman has donned the prophet's mantle in that regard; but now the silence has been broken by one of the smaller denominations...

The committee cast its net widely and sought the advice of consultants with competence, some in practical affairs and some in economic theory. There is, however, scarcely anything in the report which should baffle the intelligent reader, for it has not gone into technical details but has been content to deal with obvious facts and basic principles with some references to the recent Radcliffe Report.

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JANUARY, 1963:
"*Exploratory Times*":

The Committee has had the advice of consultants whose competence is both theoretical and practical. While a few sections presuppose some familiarity with the ways of finance, the greater part of this booklet can be understood by any intelligent citizen. Apart from specifically Christian considerations, it would seem that something is wrong with the national debt, which was nearly 700 million pounds in 1914, increased both in peace and war, and in this so called affluent society is now over 40,000 million pounds...What does debt mean in this context? How does it affect international relations? Some Christian common sense is required, so we commend this first report for study and we encourage the Committee to proceed.

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JANUARY 1963:
W.J. Hetherington in
"*The Scotsman*":

... The excellent report in 1962 of the Congregational Union of Scotland's Christian Doctrine of Wealth Committee... reviewed the principle to be followed in a "Christian economy" and made some very pertinent comments on the monetary system, the morality (or rather immorality) of interest, etc.

Knowledge is not gained by indolence but by study, investigation and research. The answers and the right basic principles can surely only be found in and near the Churches themselves. We can hardly expect the Moderator or the Pope to knock on our doors and inform us individually.

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JANUARY, 1963:
W. Murray in
"*Scottish Congregationalist*":

[The Report]... refers to waste and misuse of available resources, discusses St. Paul's teaching in relation to employment and work, and cites our railway network being allowed to fall into disuse as an example of waste. This I believe to be a misjudgement: what I would substitute follows: -

(a) Britain can only maintain its present population adequately if it is able to buy materials abroad, process them here, and sell sufficient of the processed output abroad to pay for further imports, all to the mutual advantage of producers and consumers both at home and abroad, as buyers and sellers of services.

(b) British transport commission reported a loss of 136 million pounds for 1961... Recent press reports indicate that the 1962 loss will be greater. Britain simply cannot afford such losses.

(c) Christian stewardship calls for **profitable employment** of resources, both human and material. If Scottish Congregationalists observe their Lord's two great commandments (Mark xii. 15-16) they need not fear the future.

(d) If, on the other hand, they "worship white elephants", whether "unprofitable" railways, leisure, Church buildings, institutions, committee reports, instead of ministering to the greater needs of a hungry world, they will write their own "Stewardship Report" and receive the appropriate reward.

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FEBRUARY, 1963:
L.P. Ellwell-Sutton in
"*Scottish Congregationalist*":

In our Report we set forth as the first objective of a Christian social-economic system: The best possible use of natural available resources for the satisfaction of human needs and the promotion of human well-being". Mr Murray wishes to substitute for this: "**profitable employment of resources**".

Profitable in what sense? Apparently he means "financially profitable", sinc this is the criterion by which he condemns our railways to oblivion. But is the financial one the truly Christian test of value? If it is, then we must regard gambling as more desirable than higher education, the shopping spree as the best way of celebrating Christmas, and a pop singer as worth a thousand ministers; while "ministering to the greater needs of a hungry world" (to quote Mr. Murray) will have to come a long way down the list.

It is obvious that a measure of value that seems to justify perversions cannot be a reliable guide for Christians. Perhaps it ought to go altogether; but at the very least it must be re-designed so as to yield results that a Christian can accept. If your scales turn out to be inaccurate, you get new ones; you don't go on giving short weight. The Christian Doctrine of Wealth Committee has been criticised foı concentrating in its First Report too exclusively on money. We do not regard the monetary system as the sole source of evil; but we believe that it presents a false picture of God's providence to man, imposes a false set of values, prevents a true understanding of the ills of mankind, and hides from human view the right and Christian remedy. No indictment could be stronger.

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Letters to The Editor...

Letter in Response to the Alternative Mansion House Speech
The Editor
The Social Crediter
Edinburgh

Dear Sir,

With regard to James Robertson's "Alternative Mansion House Speech 2000" there are three matters which raise questions for Social Crediters.

Taking them in order, James Robertson appears to be advocating the "Land value Taxation" of Henry George. Henry George was insistent that Land Valuation Taxation was a corollary of Free Trade and as such it looked at land from the financier's point of view. Douglas specifically opposed Land Valuation Taxation for the very good reason that the land does not produce money, it produces crops which have to be sold for money, subject to the vagaries of the market.

The Douglas alternative to Land Value Taxation as a solution to the problem of "Common Resource," is that land which is to be acquired for any change of use (and therefore enhancement of value) must be sold to the local authority at its last purchase price, but that the local authority must sell it to a qualified applicant at its new valuation, thus transferring the increased value to the community. The Douglas proposals would have prevented the situation we now have of the greater part of our farm land being owned by international land companies.

The "Alternative Speech," also appears to be arguing that the creation and distribution of new money is the golden key to "growth." It is probably the fault of over-enthusiastic Social Crediters of the pre-war days that we have this superficially attractive mental picture of factories mass-producing an abundance of desirable commodities, whilst happy workers collect their National Dividend from the post office and hasten to the department stores to buy the latest gimmicks. This picture does not sit easily with the zero-growth of the Ecology Movement. On the contrary the Douglas proposals ought to be seen as necessary for ending "The Delusion of Super-Production" - the necessity of frantic production and frantic trading to pay off debt. As Michael Rowbottom points out in "The Grip of Death" the greater part of our transport problems, both national and international, are directly due to the necessity of chasing goods around the country in a desperate search for buyers. The Douglas proposals should be seen as facilitating an end to built in obsolescence, "full" employment in parasitical activity and the waste of the Earth's mineral and energy resources, which, as Douglas pointed out, "Are certainly not unlimited."

The third matter where there is room for disagreement between Social Crediters and James Robertson is in his proposal that Government should "spend into circulation" some of the new money it creates. Douglas rejected this idea both on economic and philosophic grounds. What Douglas in fact proposed was the **devolving** of credit right back to the individual, for it is in the individual, in the sense of "every person" that the social credit originates. The mechanism of this devolution is the National Dividend and Discount Scheme. A corollary of this is that the Government should not have access to the National Credit save **by consent of parliament**.

This power of parliament over "supply" is fundamental to the British Constitution as Douglas pointed out in "Realistic Constitutionalism." I accept that James Robertson does propose an eventual universal "citizens' income," but he appears to have a naïve belief that Government would not abuse the power to spend new money into circulation for all manner of mischief. That the results could be highly undesirable is vouchsafed by the activities of the National Socialist Government in Germany, which was able to exercise total centralised power precisely because it had control of the National credit independently of the Reichstag.

Whilst there is much of value in the "Alternative Speech" I feel that these matters should be weighed against it.
Yours Sincerely
Anthony Cooney
Liverpool

Letter to The Editor

I was pleased to see *The Crediter* in the post yesterday morning and more so at the contents... very encouraged by James Robertson's fine article. Clearly the fruit of patient study and research.

I first moved into all this business in 1963-1965 and these were very much uncharted waters. It always helps to compare the present with those days. One sees progress being made.

Thank you and thank you all for your efforts and good works - may they ever be blessed.
Yours Sincerely
Peter Robinson
Stratford upon Avon

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

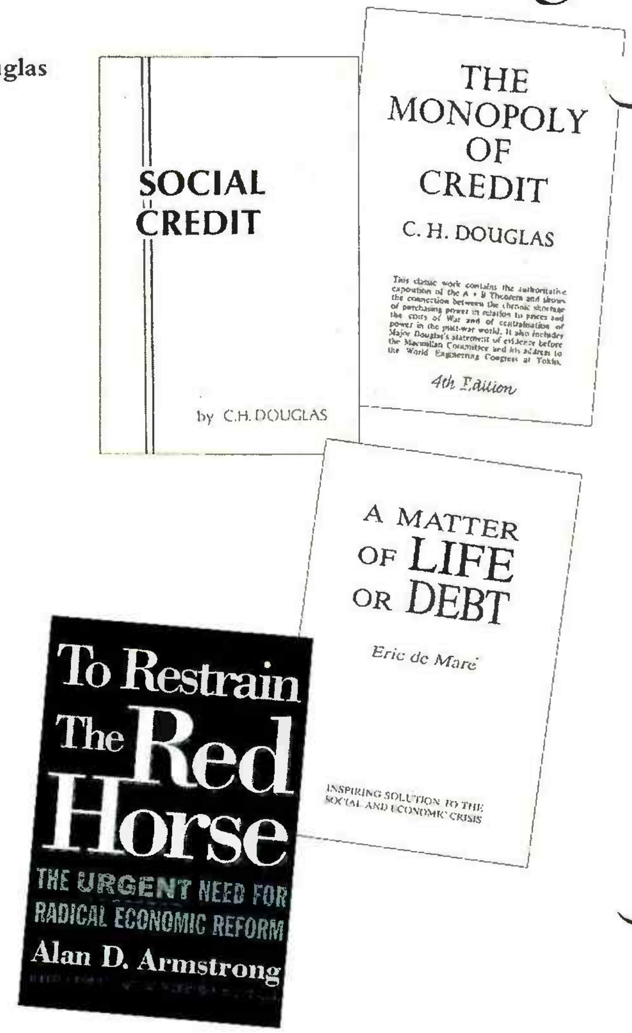
Books by Major C.H. Douglas

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



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* Also available from Towerhouse Publishing, 32 Kilbride Avenue, Dunoon, Argyll, Scotland PA23 7LH.

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