

The SOCIAL CREDITER

For Economic Democracy

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Editorial . . .

These are indeed exciting times. We seem to detect a sea-change in attitudes, a new questioning of the power itself of the 'powers-that-be'. In his *Soil and Soul* (see Book Review), Alastair McIntosh draws together the good and the positive, inclusively building bridges across religious, racial, gender and divisive positions in order to find the common ground within which to gently disarm the powers-that-be. Cracking "the spell of consent" is, however, no easy matter, as the powers seek to silence their opponents. The excellent Centre of Human Ecology was in effect expelled from the University of Edinburgh because the practical campaigns of McIntosh and his colleagues were unacceptable to the "wealth creators". Meanwhile academics and other writers have often failed to unite theory and practice, perhaps perceiving that theory united with really radical change in practice would jeopardise their research funding, if their work was unacceptable to the powers-that-be. Following the publication of *Soil and Soul*, would-be reformers must consider the extent to which their quest for endorsement by 'orthodoxy' may be hindering their work.

Douglas was well aware that his work was rejected by the mainstream because it advocated practical alternatives to the wasteful inefficient

and unsound money-dominated economy. He was equally aware, as the extract from *The Approach to Reality* indicates, that orthodoxy can accept reformist theories capable of keeping the business-as-usual "Good Ship TINA" afloat. As we indicate in our TINA article, however, and in full agreement with Douglas, it is no good trying to sink the ship because there is nowhere for the lifeboats to go. This has been realised by several contemporary writers, some of whose work we have published or referred to in *TSC*. In the same vein, we include Herman Daly's *The irrationality of Homo economicus*, reprinted from the first edition of the *Feasta* (Foundation for the Economics of Sustainability) Journal established by Richard Douthwaite and John Jopling. Founded to ask questions and seek answers to the problems of sustainability which mainstream economics seems unable to address, Dublin-based *Feasta* is making a valuable contribution to the common pool of creative thinking compatible with social credit.

Since the last issue of *TSC* went to the printer, a technical hitch occurred over copyright permission to reprint John Hargrave's *Social Credit Clearly Explained: 101 Questions Answered*. As a result, we decided to replace the proposed booklet with a series of contemporary questions and

answers on social credit. *Social Credit: Some Questions Answered* is almost ready for the printer. Details to follow in the next issue of *TSC*.

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*Comment: Time and again social crediters come across social credit-style issues in the work of contemporary writers. For the time being we are prepared to publish work which tends in the general direction of social credit. We are aware that few contemporary authors are in a position to enter into an informed debate on social credit. This is hardly surprising, since most material on social credit is now very dated, historical in character and not generally available in an accessible form. For this reason we are about to publish *Social Credit: Some Questions Answered*. In the meantime, we make the general disclaimer that material published in *TSC* is not thereby endorsed by the Secretariat.*

The Irrationality of *Homo economicus*

HERMAN DALY

In 1995, Herman Daly was sharply critical of current attitudes within the economics profession in an interview with an American journalist, Karl Hansen. Economists should spend much less time working out the consequences of their own assumptions and engage far more in the world.

KH: Is the intellectual higher ground in economics increasingly up for grabs?

Daly: Good question. My hope is the answer's 'yes'. And in the long run I think the answer is yes. But currently academic economics is quite dismal. University departments of economics are just wasting everyone's time. That's harsh but I think there are some interesting problems, that might otherwise have been dealt with by economics, that don't go away just because economists say, 'Well, that's not economics ... that's ... economic policy or environment or something else.' So they keep themselves exceedingly pure just working out the logical implications of what they have taken to calling the 'canonical assumptions', which is a revealing phrase.

There are certain canonical assumptions which define what it all is, and then you play games and make logical derivations on those assumptions. And the world and its real problems are just sort of left to one side. And if you try to apply any of that to the real world it's a real problem because you've abstracted from what are the most important things. The first thing the canonical assumptions abstract from is any notion of community - nothing but isolated individuals, *Homo economicus*. Community both in the social sense of our identities being made up of interrelationships, and community in the ecological sense of mutual dependence of species in the natural world. So in the core of economics, those things are abstracted from.

When you say that, economists

sometimes get mad. They say, 'Oh well, look here at this area of environmental economics, it's been developing here. We're talking about those problems.' Okay, they're beginning to. Problems are being forced on them, and so they're making whatever ad hoc adjustments are necessary to try to deal with the problem. But it's not a satisfactory situation. And I think it [the intellectual higher ground] is up for grabs in the sense that it's beginning to be challenged and I think that some of the popes of the profession are getting rather defensive. But it's still the ant versus the elephant. They're still pretty much totally in control of all the major journals and the major university positions, etcetera, etcetera. So it's maybe a little wishful thinking on my part to say it's up for grabs, but I think it will be.

KH: Who are the 'popes of the profession'?

Daly: Oh my. Well, people like Lawrence Summers and all the Nobel laureates. Robert Solow, Milton Friedman, folks like that. All the faculties of the major universities.

KH: I think a lot of people would say you're a pope or upcoming pope of the profession ...

Daly: Well, that's interesting. I suppose that whatever influence I have is much more directly on the general public and not so much through the profession. So that the people who would look favourably on me ... Well, I don't know ... It just remains to be seen how it plays out because they're not the people in the positions of power.

KH: Okay, if the intellectual higher

ground is up for grabs, here's a doozy of a question - what is the answer? Is it ecological economics? Economic anthropology...?

Daly: Well that's what John Cobb and I tried to deal with in *For the Common Good* - what if economics is to move away from being a self-centred academic discipline interested only in working out the consequences of its own assumptions and if it's to engage itself more in the world. And we argued that you have to shift from *Homo economicus* as the isolated individual to the idea of person in community, whose identity is largely a function of his relationships in community with others and with the ecosystem. So that this community perspective of social and ecological interdependence is critical - and for the future.

Economists say 'Oh yeah, well we dealt with that.' But you go and you look at the basic textbooks and you get the standard isolated circular flow of firms to households, of exchange value going around and around. There's no environment. The theorems of underlying supply and demand are purely individualistic. There's no social element in any of it. And so some people will say, 'Oh you're just criticising bad elementary textbooks. I mean, the profession has gone way beyond that.' Well, wait a minute. Where do people learn their economics? All our congressmen, whatever they know they got out of some basic elementary textbook, and what good is it ... Should the elementary textbook be consistent with more advanced economics? And if advanced economics discovers something is wrong, shouldn't that be reflected in the next edition of the textbook? So I don't accept that. I think the textbooks really show you

what are the most fundamental positions that the public accepts so that it is quite fair to... I would say that we have to work into economic theory not only the circular flow of exchange value which is important but also this one-way throughput of matter and energy - the digestive tract as well as the circulatory system - because it's that that ties us to the environment. The sources of low-entropy matter-energy, and the sinks for absorption of high-entropy matter-energy. And that has to be built into the very foundation of Economics, Chapter 1. Not tacked on at the end of a chapter on Depletion and Pollution as Externalities like 'Oh gee, we never expected this to happen but it did so now we have to say something about it.' It's built into the very functioning of the economic process that we have to deplete, we have to pollute, that we have to keep those two activities within some sort of ecological constraint and what those constraints are affects the optimal scale or size of the total economy relative to the environment. And that big question has been completely left out. There's no concept of an optimal scale of a total macro-economic system relative to the larger ecosystem. And that, fundamentally we have to bring into economics along with the standard questions of allocation and distribution. Some people are beginning to see that, others are really resisting it. So it's strange. The International Society for Ecological Economics - although there are a lot of different opinions there, I think it tends to cluster around the vision which I just stated. There's another group in Sweden, the Beijer Institute for Ecological Economics, which much more leans toward standard economics. They are recognising that there are real problems of dealing with the environment and that maybe standard economics hasn't done enough in that direction, but they have a great deal of faith that the same basic paradigm will function in that direction. So

that's a tension. On the one hand, you have people who are fundamentally standard economists but they say 'Oh here's a set of problems we do need to think about a little more.' And then another group of people who say you really need to change your whole way of looking at things in order to adequately deal with those problems. So there's that tension, and it's a very difficult tension. Because on the one hand you don't want to alienate people, you want to talk to economists, you want to build bridges with economists, you want to bring their talents to bear on important questions. On the other hand, you don't want to be co-opted and swallowed up and have the basic important issue reduced to something that's not so important and fails to see the point and doesn't really engage the issue and sort of co-opts things. So it's a difficult tension.

KH: Why is free trade necessarily bad for the environment? ...

Daly: My problem with free trade is partly due to the environment - but it's larger than that. I think it's a bad social policy and bad environmental policy. By free trade, what I mean is deregulated international commerce. So the opposite of free trade is not autarky or no trade. The opposite is not state trade or total monopolisation of trade. The opposite of free trade, which is deregulatory, is regulated trade. Trade which is regulated in the national interest by governments involved. And the notion that there should be no national interest in this trade across national boundaries, that the state has no interest in this, that this should be left entirely to the mutual benefit of the trading parties ... I mean imagine if this logic were applied say to corporations - individuals within corporations just trade with each for their own mutual advantage - nonsense! ... Every deal that corporation people make has to be vetted up through higher authorities to make sure that it's

really in the interest of the larger entity. And so I think the same thing is the case with trade across national boundaries. The reason again goes back to community because if you have the free flow of goods and capital and, increasingly, labour across national boundaries, then you really lose any possibility of policy at the national level. You can't have an interest rate policy that's different from your neighbour because capital is mobile. You can't have environmental cost internalisation standards that are different from other people because if you have higher standards that'll raise your prices higher than your trading partners', and you put your own people at a disadvantage. So you have to have some equalising kind of tariff. So the argument is not that there should be no trade. Trade can be very beneficial. But the argument is that trade should not be based on standards-lowering competition. You have to maintain certain standards. And standards-lowering competition can be weakening the environmental standards to give cheapness, weakening social insurance standards and safety standards to get cheapness. Weakening standards of child labour ... throwing in prison labour even, about which even GATT says, 'Prison labour is too much, we'll retaliate against that.' So I think maintaining these social standards which have been actually hard-won over many years - I mean the length of working day, that's been limited; child labour, these sorts of things. You can make products cheaper if you lengthen the working day, if you employ children ... and so I think there has to be this national community protection of basic standards. We can't allow that to be competed away in the name of free trade. Interestingly, the classical doctrine of free trade as it came from David Ricardo is much more in line with what I've just been saying because in that system, capital did not cross national boundaries. Capital stayed at home and labour stayed at

home. The only things that were traded were goods. So you really did have a much more community/national orientation. You have national capital co-operated with national labour - albeit with class conflict, the national community was able to contain that class conflict. You had national labour and national capital co-operating to make national goods, and those goods that competed internationally with other countries and their teams. Nowadays that's all gone, nowadays you have free capital mobility and so you have a capitalist of one nation saying to the labourers of that nation, 'Sorry guys, we live in a global economy, I can employ labour at one-fifth of what you want and I can bring the product right back here and sell it, so you guys are out of line, too bad.' And the labour comes back and says, 'Well gee you know, there are bonds of national community.' 'I just told you we live in a global community. All that stuff is over with. All that old national stuff that caused wars. We live in a global economy. Everything is going to be peace now. Don't you want the Chinese labourer to be as rich as you are - are you a racist?', and on and on. So this idea of mutual responsibilities in a national community is being dissolved by this idea of the global world economy. We have a global community now superseding the national community - that's passé, now it's global community. That sounds good if you say it fast enough and don't stop to think about it. But it's empty. There is no global community. Where community really exists is at the national and subnational level where people take on mutual responsibilities for each other. Not at the global. Now maybe someday there will be a global community. But our view - of John Cobb and I - is we're all in favour of global community, but it would have to be a federation of strong national communities - a community of national communities. And the present vision is not of a federated

community of communities, the present vision is of a cosmopolitan world without borders in which you erase national community and replace it with this globalised single sort of tightly integrated world community. So the vision of a globally integrated economy is really a single system. You have one tightly integrated system that's mutually dependent across the globe. That's a very dangerous kind of system - something goes wrong, you're in big trouble. We prefer nations to be much more fundamentally self-sufficient, not totally self-sufficient, that's too expensive. But to the degree possible, strive for self-sufficiency and maintain loose international trading relations to make up for where it's hard to be self-sufficient. I mean everyone can make their own aspirin and matches, you don't need to trade multinationally for that. But there are some things that you do need to trade for. That's kind of the vision that we put forward, and you maintain more local control over your economic life. If you don't, then control is shifted far away and the foreigners who control the capital investment in your country may be lovely decent people, they may even be nicer than the local people, but they're far away and they don't really know or have an interest and a feel for what happens there. This is a vision that John Maynard Keynes expressed very similar kinds of notions to when he wrote on national self-sufficiency, and his views along with the others have kind of been swept aside in this globalisation mania, which really serves the interests of the global multinational corporations because what holds them in check is the nation state - the rules of the nation. So if they can sort of weaken the nation and play off one against the other, then they don't have any real restraints. ... The other way of controlling international capital would be to have international government and some people advocate that. I see that as

frightening. International government. Some things have to be international, for example, we have to deal with global CO2 and things like that at a global level. But again that has to be a federation of national governments because once you have a treaty for global CO2 or something, who's going to enforce it? It has to be the national governments who signed the treaties. They have to be strong enough to enforce within their own boundaries the conditions that they agreed to in the international treaty. And if capital, labour and goods flow freely across their borders they don't have any basis for exercising the control that they agreed to. Long-winded answer, I'm sorry.

To be continued

This interview was conducted at College Park, Maryland, USA on February 8, 1995. It first appeared in *Developing Ideas*, a magazine published until 1999 by the International Institute for Sustainable Development in Canada, and was reprinted in the 2001 issue of the *Feasta Review*, the journal of the Foundation for the Economics of Sustainability, 159, Lower Rathmines Road, Dublin 6, Ireland. It is reprinted here with the IISD's consent.

... global community. That sounds good if you say it fast enough and don't stop to think about it. But it's empty. There is no global community. Where community really exists is at the national and subnational level where people take on mutual responsibilities for each other. Not at the global..... globalisation mania, which really serves the interests of the global multinational corporations because what holds them in check is the nation state - the rules of the nation. So if they can sort of weaken the nation and play off one against the other, then they don't have any real restraints. ...

Imagination, Money and You!

C Pinwill

Extract taken from *The Australian Social Credit Journal* Jan/Feb 2002

Let's try imagining that your neighbours to the north and south are having a conversation in your presence. Mr. South mentions that he is putting his motor vehicle up for sale. Mr North responds that he is interested in purchasing it, but that he will first need to speak to his banker for a loan. Later he informs you that the loan has been granted and you adjust yourself to the familiar vehicle going into the wrong driveway.

Now just imagine that the postman brings your monthly bank statement. You open it up and immediately see a debit for \$20,000. You know you haven't spent any such amount. You ring your banker in outrage.

Your banker says *'Well, you know that a bank's business is lending its deposits out at interest'*.

'—Well, yes', you say. 'But what has this got to do with \$20,000 of my money disappearing?'

'Well, this time, we've decided to lend out your deposit', says the banker. 'Your neighbour wanted a loan'.

'No way! You put my money back immediately!' you bellow, 'or I'll take my money to another bank!'

Your banker is patient. He has this every *day* when he makes a loan.

'Try to be reasonable', he says. 'We've considered your interests in this. We could have lent your deposit to a perfect stranger, but we know you're friendly with Mr North and our bank likes to personalise our service. Personal service is our motto. Don't you trust your neighbour? You know he's a good

chap. So isn't this a perfectly good arrangement?'

'I can't imagine anything worse!' you roar. 'And furthermore, I'm taking my deposit to another bank'.

'That's impossible', says the banker. 'Your deposit is already in another bank. Mr South received it for his car, and he banks elsewhere'.

'I never imagined that the banking system worked like that', you sob.

'Oh, come now!' says the banker, 'we've been telling everybody for years, that we banks take in money on deposit, and then lend these deposits out at a higher interest. Don't you believe us?'

For the first time in your life, you imagine that perhaps you don't.

It gets harder. Where do you imagine that banks get the money they lend out, if they don't take it from deposits, and they obviously don't?

No academic, no politician, and no financial journalist, university economist or bishop has ever been able to imagine it. This one's up to you and me.

They create it!

To imagine this, we have to:

1. Imagine that the postman didn't come bringing the bank statement on which the bank reduced your deposit by \$20,000. *And he didn't.*
2. Imagine that the bank didn't take anyone else's deposit of \$20,000 either. *And they didn't.*
3. Then imagine that Mr South's deposit did increase

by \$20,000 when he was paid for the car. *And it did.*

Now it's easy to imagine that the bank deposits of the world increased by \$20,000, *because they have.*

Only if we can imagine the banks lending money they don't have, can we imagine people getting deposits that didn't previously exist.

At this stage, if the penny drops, most say, *'If this is true, I can't imagine how the banks get away with it'.*

Can you imagine anyone launching an inquiry into an event that they can't even imagine has happened?

So now we can imagine how, if the banks lent \$30 billion they didn't have in 1996 - 1997, we've now got \$30 billion in bank deposits that we previously didn't have either.

The borrowers of imaginary funds get real debts, and their payees get real deposits.

It seems that imagination murders mysteries. But there's more.....

Only if we can imagine the banks lending money they don't have, can we imagine people getting deposits that didn't previously exist?

The borrowers of imaginary funds get real debts, and their payees get real deposits.

The Good Ship TINA

Frances Hutchinson and Wendy Olsen

Excerpt from "The Unsustainable Ship of Capitalist Money Management" Paper presented to the International Sustainable Development Research Conference, University of Manchester, 5-6 April 2001.

The capitalist economy is very like an ancient galley ship. Designed and developed to meet the unsustainable aspirations of a bygone era, the ship draws its energy through monetary mechanisms now requiring a thorough overhaul if social and environmental sustainability is to be achieved. We argue that macro attempts to achieve *economic* sustainability are analogous to the maintenance of a sinking ship whose captain and crew imagine they can pilot the ship to safe waters. Although similar analogies have emerged over recent years this particular version was developed independently.

Traditionally, in economic thought the economy is visualized as a circular flow which operates within the social and natural economies. Economic agents owning factors of production sell them to businesses. Firms use the factors to create wealth, paying out money incomes to households. The households use the money to 'consume' the products placed on the market by the productive firms. The money returns to the firms and the whole process starts again. The maintenance of equilibrium within the circular flow of the money economy has remained the focus of mainstream economic theorizing throughout the twentieth century. However, although the formal money economy *measures* wealth in money terms, it does not *create* wealth: that is done with resources provided by human society and its natural environment. While the formal economy can put a money value on 'wealth', creating such measures as GDP, it fails to measure degradation and depreciation of social and natural capital, except in so far as a money value is placed upon it.

Furthermore, an oil spill at sea appears as a plus in terms of the formal economy, as resources are spent on the clean up operation. The ancient galley was built long ago to meet past circumstances. Now, in the twenty-first century, attempts to maintain the galley are placing unsustainable strains upon its own life support systems. With un-nerving speed it is heading towards a series of icebergs in the form of natural disasters waiting to happen. Suggestions that the ship be slowed down at least until a safe route forward is discovered, are met with blank incomprehension by the crew (policy-makers, leading politicians, academics and financiers) and passengers (top business management). Meanwhile wage-slaves and non-ship (unpaid social reproduction and self-provisioning) labour lack the knowledge and power to gain control of the ship and route it into safer waters.

Until very recently, most people spent most of their lives off the 'ship', supplying almost all their needs and pleasures from their own land, within local communities. As traditional resources, knowledge and skills have been plundered by ship culture, the natural resources of the earth have been despoiled. The main problem is that passengers and crew have no conception of the true extent of their dependence upon, and desecration of, 'non-ship' labour and the fertility of the land. It is difficult to visualize the conditions of virtual slave labour which produced the chips for our computers, and the distant chemical factory which manufactured the ink you are now reading. As the ship grew in proportion to the social and material resources available to communities on the land, questions were raised from different quarters

about the advisability and desirability of its growth. However, since most unease was expressed on land, i.e. by non-ship labour, it had no effect whatsoever on the crew of the ship. They had their own agenda: what they needed to enable the ship to grow and continue moving forwards. They simply took. There was no other agenda on the agenda. Of course the ship must grow, and it needed resources to do so.

Note that this analogy is, like all analogies, only useful up to a point. All agents on the 'ship', i.e. in the formal economy, relate to each other through the money system. They are paid to do things, or pay for things, in money. One problem is that many tasks are undertaken from mixed motives: a nurse is paid to care, but does not *only* care because she is paid. Furthermore, people cannot be classed as *either* passengers *or* crew *or* slaves *or* non-ship labour. Individuals play more than one role at a time. Passengers, wealthy business people, often work very hard within the system in managerial roles (they are certainly not the 'idle rich'). The crew, leading politicians, academics, bankers and professional salary earners generally work with the 'passengers' to devise ways to keep the ship moving forward. The slaves, waged workers below senior management level, follow orders for money rewards. Most of the *essential* work necessary to keep the ship afloat is done by non-ship labour. *All* on board the ship are at some time in their lives, often for much of their lives, part of the pool of non-ship labour (working in their homes and in voluntary work in the community). The amount of non-ship labour necessary to keep the ship going is vast. Without it the ship would sink without a trace.

Book review

However, if the ship does crash into an iceberg, the survivors (crew, passengers or slaves) will not survive for long because there is nowhere else for them to go. The ship has grown so large that it has drained the land and its peoples of the ability to survive outside the ship. Although the Good Ship TINA (There Is No Alternative), the money economy of western capitalism, is an artificial construction, made entirely from non-ship materials and non-ship labour, it has been around so long that it seems to be a natural phenomenon. Nobody, whether crew, passengers, slaves or non-ship labour, absolutely nobody can imagine life without the ship. Since the possibility of TINA running into an iceberg is unthinkable, discussion of alternatives does not even appear on the agenda. Debt-fuelled economic growth is left to continue unabated, and the ship sails on, devouring in its cancerous growth the very resources upon which its existence depends.

Frances Hutchinson is an economist, author and co-author of several books on Social Credit.
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Dictatorship by Taxation

By C H Douglas
1936

...the policy is to load us individually and collectively with debt so that we shall be the slaves of our debtors in perpetuity.
It is impossible to obtain money to pay off the debt, owing to the fact that our debtors are at the same time in sole control of the power of creating the money which is required to pay off the debt. Taxation is not primarily an economic device, it is a tyrannical device.

Soil and Soul: People versus Corporate Power by Alastair McIntosh, (Aurum Press £17.99 UK, \$29.95 US)

When reviewing a book it is often tempting to hint that the author should have written an entirely different book. *Soil and Soul* needs no such amendment. Beautifully crafted, it deserves to be read slowly, like a poem, and will be re-read many times for sheer pleasure. However, I would on this occasion suggest a slight change to the sub-title: "people and corporate power" would be more accurate. True, Alastair McIntosh tells the story of people standing against corporate power, but he also examines the nature of that power and traces it to its sources – the people.

Drawing on his Hebridean childhood, McIntosh recounts the history of the evolution of ancient traditions, tracing the changing 'psychohistory' as colonialism and corporatism brought material wealth and spiritual poverty to the Isles of Lewis and Harris, and across the world. The skilful intermingling of theology, mythology, ecology, poetics, ecofeminism and politics through the local and the global is deceptively easy to read, but requires the reader to follow up the key texts referred to by the author. This is necessary to consolidate the work, to continue the journey started by McIntosh and his colleagues. As Nigerian writer Ben Okri explains: "Stories are the secret reservoir of values: change the stories individuals and nations live by and tell themselves and you change the individuals and nations". Each work referred to in this book can help to change the story of capitalism-as-we-know it, not least Milgram's chilling *Obedience to Authority*.

Taking two contemporary stories of the land and its peoples McIntosh, a key actor in both stories, weaves them into the web of history, demonstrating that the personal is indeed political, and the local universal. With so many negative 'anti-' this and that protests seemingly getting nowhere, this book shows how individuals and small communities can take on the seemingly overwhelming might of authority, and win. Starting from nothing, the Isle of Eigg Trust came to oust their landlord, creating a flag ship for widespread land reform in Scotland. Meanwhile, plans to convert a majestic Hebridean mountain into a superquarry were at first welcomed by local people and their politicians as providing jobs and economic growth. Once the full story was revealed, assisted by histories from across the world, the local people were empowered to resist.

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In a very few pages near the start of the book the author speaks about the money economy and the social and natural worlds which sustain it and are being destroyed by it. I can therefore heartily recommend *Soil and Soul* to readers of *TSC*. Without by any means making light of the problems facing local communities and the environment generally today, the book reflects the powerful optimism of its author. I agree with George Monbiot as he concludes his *Foreword* with the words: "Make no claim to know the world if you have not read this book". This enchanting work will be read and discussed for many a long year.

Frances Hutchinson

EXTRACT from South African playwright Athol Fugard's *Valley Song*, premiered at the Royal Court Theatre, London, in January 1996 (Faber & Faber (London) 1996)

God's Deed

I wrote out a cheque for the modest sum they wanted for the house and land, and after the usual formalities between lawyers, I finally had it in my hand.....the Title Deed! The land was mine!

Or was it? Has my few thousand Rand really bought me ownership of that land? Remember the Psalm? 'The Earth is the Lord's and the fullness thereof.'

I would have felt a lot better if God had countersigned that Title Deed. Because you see, Buks put his first seed into that soil when he was only a few years old....when his father went to work for old Landman, Jaap Jonkers. That was his father's name and it was Landman himself who told Jaap that he must lay a few akkers for himself and grow vegetables there for his family.

That old house that was standing there empty and falling apart when I first saw it, Landman and Jaap built it with their own hands. Just the two of them! And then when Jaap died in the great flu epidemic the young Buks stepped into his father's shoes and husbanded that land. And that's how it has been ever since. His life is rooted now as deeply in that soil as the old Walnut tree next to the windmill. Well it's like that between you and a piece of land, you end up being a part of it. Your soul wilts and withers with the young plants during the droughts. You feel the late frosts as if it was your skin that had been burnt black. And when it rains you rejoice and your heart swells with sweetness like the fruit on the trees. But Buks doesn't have a piece of paper with his name

on it which says all these things, and so he has to come begging to me because I've got a piece of paper with my name on it which said that those akkers are mine.

Your soul wilts and withers with the young plants during the droughts. You feel the late frosts as if it was your skin that had been burnt black. And when it rains you rejoice and your heart swells with sweetness like the fruit on the trees.

Obituary

Eric de Maré, Architect, Author, Photographer and deeply committed Social Crediter

The Secretariat was deeply saddened to hear of the death of Eric de Maré on 22nd January at the age of 91. At the beginning of the 1930s he was inspired by the writing of Major C.H.Douglas and remained until his death an unwavering supporter of Social Credit. He joined the Social Credit Party in 1933 and became its General Treasurer in 1939. In 1936 he translated, with his brother, a Norwegian book and published it under the title *Distribute or Destroy* and later became editor of *The Sun: The Social Credit World*. In 1984 he published *A Matter of Life or Debt* in which he suggested how the coming digital age might offer even greater potential for a successful society based on Social Credit. He maintained a supportive correspondence with the Secretariat, often commenting in detail on articles in *The Social Crediter* and from time to time, submitting articles - alas, often just too long - with a view to publication.

Although his commitment to Social Credit was never less than enthusiastic, he had a great range of other interests about which he was equally enthusiastic during a long and

rewarding life.

Born in Enfield in 1910, of Swedish parents having Scottish, Baltic and French Huguenot ancestors, He was educated at St. Paul's School in London and later, at the Architectural Association School, he completed his RIBA degree in 1933. After a spell editing the *Architects' Journal* he went freelance in the late 1940s and continued to make his living this way until his retirement. He also travelled widely - starting with a canoe trip with his first wife, Vanessa Burridge and a camera, and later toured the English and Welsh canals from London to Llangollen and back. He also travelled extensively in Europe and America.

He photographed and wrote, largely on architectural and topographical subjects, and besides numerous articles and lectures he had published some 20 books, many illustrated with his own photography. They included the *Penguin Handbook of Photography* (in its 7th edition as early as 1984) *Photography and Architecture*, *The Canals of England*, *The Bridges of Britain*, *Year of the Great Exhibition* and *The Story of a City* which was runner-up for the Carnegie Award. Following the death of his first wife in 1972 he married Enid Verity in 1974.

He will clearly be greatly missed, not just by his wife, family, and close friends but also by those who knew him, or of him, in the context of their own commitment to monetary reform and the even wider analysis and prescription for change that is Social Credit.

Alan Armstrong

The Secretariat is sad to report also the deaths during recent months of Mr Arthur Townsend of London and Mr Hugh Walker of Glasgow and extend deepest sympathy to their families.

THE APPROACH TO REALITY

Major C H Douglas

Extracts first published 1936

It's Your Money They Want

Now this book of Mr Maynard Keynes to which I have referred, represents apparently a sudden conversion on the part of the author to the monetary theories of Silvio Gesell, the originator of the idea of 'disappearing money,' that is, money that loses its value month by month unless spent (as if money didn't disappear fast enough already).

The idea is that if you have got a 10s note today you have to put a penny stamp on it a fortnight hence to keep it worth 10s. and another penny stamp in a further fortnight's time so that it shall still remain at the value of 10s. Gesell's theory was that the trouble with the world was that people saved money so that what you had to do was to *make* them spend it faster. Disappearing money is the heaviest form of taxation ever devised.

The theory behind this idea of Gesell's was that what is required is to stimulate trade - that you have to get people frantically buying goods - a perfectly sound idea so long as the objective of life is merely trading. When a 10s. note becomes worth only 9s 11d. tomorrow, a man will go and buy something and so stimulate trade. In fact you have exactly the same state of affairs as existed at the time of the stupendous German inflation of the mark. When a waiter received payment in millions of marks he hardly waited to throw down his napkin before dashing out to buy something, because the value was disappearing so rapidly that what he bought one minute would require a billion marks ten minutes hence.

Government by Money

These taxation schemes - I am not now talking of any particular theory, I am talking of conceptions of life - all these schemes are based on the assumption that you have to stimulate something or other. They are an attempt to produce a psychological effect by means of the monetary system. In other words, the monetary system is regarded not as a convenience for doing something which you decide yourself you want to do, but to *make* you do something *because* of the monetary system.

I am not going into Social Credit technique tonight; I merely want to repeat that our conception of a monetary system is that it should be a system reflecting the facts, and it should be those facts, and not the monetary system that determine our action. When a monetary system dictates your actions, then you are governed by money, and you have the most subtle, dangerous and undesirable form of government that the perverted mind of man - if it is the mind of man - has ever conceived.

*...the monetary system is regarded not as a convenience for doing something which you decide yourself you want to do, but to **make** you do something **because** of the monetary system.*

Letters to the Editor

Dear Editor,

Europe's Future

As the author of a pamphlet, No Pound, No Independence (2001), it was particularly gratifying to find it

reviewed (TSC December 2001) by Mary Mellor, who writes in a lively, entertaining style. However, she perpetuates a number of inaccuracies and fails entirely to address the main theme of my work. I am grateful to be given space to reply.

British use of fiscal and monetary policy since 1992 to reduce inflation and to create jobs belies Mellor's contention that '**the UK has very little democratic control over its economy in the global market**'. Indeed it demonstrates the opposite. Even if large numbers of British firms and citizens use the euro that does not mean '**substantial parts of our economy become euro-ised by default**'. This would only occur if Britain abandoned its independent interest rate and exchange rate for a uniform euro-wide '**one size fits all**' policy.

Given the implicit assumptions framing her review, it is difficult to accept Mellor's statement that '**I have not yet come to a conclusion for or against the euro**'. However, she ignores the last ten pages of the pamphlet, which illustrate how adopting the euro would transfer control over economic policy from institutions, ultimately albeit imperfectly subject to democratic accountability (the British government, the House of Commons, The Treasury and The Bank of England) to EU institutions, whose constitutions explicitly preclude democratic accountability. The EU's four most important decision-making bodies (the Commission - its executive and embryonic government, the Council of Ministers, the European Central Bank and the European Court of Justice) possess no electoral mandate, meet behind closed doors, whilst their proceedings are subject to secrecy laws. The lack of support for EU integration is shown by a poll carried out for the Wall Street Journal, published 11 December 2001; given

the choice, 52% of EU citizens would prefer to keep their national currencies, whilst 35% would accept the euro and 13% were unsure. A majority for the euro occurred only in Belgium and Italy. Given the EU's inherent character, the electorate remained unconsulted.

No democratic pan-EU state (whether feasible in practice or desirable) is on the agenda. Most europhiles trumpet their desire to see the EU's structures transformed, yet actually they always support the transfer of more power to the existing, unaccountable EU. The effective choice for all Europeans is between national democracy, with its imperfections, and centralised EU bureaucracy. The overriding priority for those who wish to live in a society where they can exert some degree of democratic oversight over the political class, whilst retaining the option of adopting radically different political and ecological strategies, is to form a popular front against EU integration in anything resembling its present form.

Dr Brian Burkitt
Department of Applied Social
Sciences, University of Bradford

January 2002

Dear Editor,

I think that Mary Mellor did less than justice to 'No Pound: No Independence?' The author makes perfectly plain that Sovereignty lies in the political sphere, not the economic, and that it is indivisible. A state is either sovereign or subordinate. The argument that Great Britain is not sovereign because it has not got 'Economic Sovereignty' is a red herring. One might just as well argue that Brazil is not a sovereign state because it is in debt. The point is that a sovereign state can retake control of its credit and a subordinate province cannot. It ought to be

perfectly clear to a Social Crediter that it isn't what the unit of currency is called, it's who controls its creation and owns it as a debt which matters. For example, a British government could not, even supported by overwhelming public demand, institute the National Discount - in EU law it would be an illegal subsidy. Obviously, having no power to create credit, neither could it institute the National Dividend. In short, joining the 'Euro' would put Social Credit in a new 'Alberta Situation'.

Yours sincerely,
Anthony Cooney

Dear Editor,

In the review of *No Pound No Independence* (TSC Vol 80 No.6) the author's arguments seem to be largely a response to the Chancellor's "five tests"; population mobility and other social "rigidities", reliance on the financial sector and the related potential loss of large numbers of jobs in the City etc.

Despite the book's title, it appears that it also reveals some of the limitations of the "sovereignty argument". It would have been interesting to know what these limitations are thought to be.

The fact is that is that the sovereignty argument is **the** most important argument not because of any such incidental economic impacts as the author advances, but because ***acceptance of EMU involves the transfer of all democratic authority in the field of monetary policy - and therefore ultimately in the fields of economic and social policy - to commercial bankers.***

The relevant section, ***Chapter 2, Article 107*** of the Maastricht Treaty makes this unequivocally clear. It

reads:

ARTICLE 107

When exercising the powers and carrying out the tasks conferred upon them by this Treaty and the Statute of the ESCB, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from the Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks.

It is this requirement of the Treaty, that we must concede to commercial bankers' ultimate and enduring authority over monetary policy, and its implications for democracy, economic and social policy-making that should make us determined to resist at all costs participation in EMU.

Sincerely
Alan Armstrong

6 January 2002

Dear Editor,

May I answer Bet Harvey's letter (TSC Vol 80, No 6, December 2001)?

In *Creating New Money: A Monetary Reform for the Information Age*, published by the New Economics Foundation in June 2000, Joseph Huber and I proposed that the central bank should decide at regular intervals how much new money needs to be created, and should then create it by crediting it to the government. The government would then spend it into circulation. Bet Harvey asks why we propose the central bank as the

creator of new money, and points out that C.H. Douglas proposed that a new department of the Treasury called the "National Credit Office" should be set up for the purpose.

Like Douglas's commitment to monetary reform, ours also is a practical one - aimed at actually achieving monetary reform. In line with what Douglas intended, our proposal will remove the systemic perversity - in terms of economic inefficiency, social injustice, and environmental destructiveness - of the present way of creating new money. But his detailed proposals were attuned to the circumstances prevailing in his time. In today's circumstances, I believe he would have agreed that turning the Bank of England into a fully fledged monetary authority will have a better prospect of overcoming resistance to reform than a proposal to extend the functions and power of the Treasury; and that it will also be a more effective way to carry out the function of creating new money in the public interest in the 21st century. Let me try to explain why.

Proposed reforms which are seen to be the logical next steps in processes of progressive institutional change that are already under way, have a better chance of success than those which involve the total abolition of strongly established institutions and their replacement by new ones. The situation today is that central banks all over the world have been evolving away from being banks and towards being agencies of the state as central monetary authorities - at the same time as commercial banks have been evolving in the other direction towards being more competitive, less subsidised, more purely business enterprises. Our proposed reform is the obvious next stage in both these processes of change.

The Bank of England, for example, is now the state agency responsible for

administering monetary policy on behalf of the people of the country. Since 1997 it does this according to objectives laid down by the elected government, with a degree of operational independence from elected politicians and their officials which is comparable to the independence of the law courts. At the same time the Bank has become more democratically accountable. It now has to answer regularly for its performance to committees of both Houses of Parliament.

However, the present method used by the Bank to administer monetary policy is technically out-of-date, as well as very damaging from the wider political, economic, social and environmental points of view. This is because it administers monetary policy indirectly - by controlling the price of borrowing (i.e. interest rates), so as to influence the demand for borrowing, so as to influence the quantity of new money printed by the banks into customers' accounts as interest-bearing loans, and so as - finally! - to influence the total amount of money in circulation. Since 1997 it has been trying to explain its understanding of this tortuous O transmission mechanism in evidence to parliamentary committees and in other published documents, but without very much success.

The next step, therefore, in the development of the Bank of England and other central banks is, we suggest, for them to be made directly - and openly and accountably - responsible for creating new money, in accordance with democratically decided policy.

Bet Harvey should be assured that, under this scheme, central banks will not have power to act on behalf of the banking system. They will simply create the required money debt-free and credit it to their governments for spending into circulation. They will play no part in deciding how the new

money shall be spent. That will be a matter for democratically elected governments to decide, just as they are now responsible for deciding how public revenue received from other sources - such as taxation - is to be used. That will contrast fundamentally with the present method of creating new money, which involves commercial banks influencing which of their customers will put it into circulation and for what purposes.

Those, then, are some of the reasons for proposing that, as central monetary authorities, central banks should be made fully responsible for creating new money. But there is another strong argument against giving this role to the Treasury. It is now widely accepted that the power to create new money should not belong to elected politicians or to staffs and departments working under their command. It is unrealistic to expect them to withstand the pressures to use that power for electoral and other party-political purposes - just as it was unrealistic to expect most rulers of earlier times to refrain from manipulating their currencies to meet their own needs. In the democratic societies of today the power to create new money must be exercised, not by departments of government like the Treasury, but by agencies of the state implementing the published monetary policy objectives of governments at arm's length and regularly accounting to elected politicians for their performance. Our proposal will achieve that. In the 21st century a proposal to give part of the Treasury the power to create all new money would almost certainly be a non-starter. It would not be accepted and, even if it were, it almost certainly would not work.

Yours sincerely,
James Robertson
The Old Bakehouse, Cholsey
Oxon, OX10 9NU

Recommended Reading

The Social Crediter is the official journal of the Social Credit Secretariat. It promulgates the analysis and prescription of 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 financially possible. This should be everyone's concern and radical reform is urgent, so that this potential might be realised.

Frances Hutchinson

What Everybody really wants to know about Money

Alan D Armstrong

To Restrain the Red Horse

Frances Hutchinson & Brian Burkitt

The Political Economy of Social Credit And Guild Socialism

Books by Major C H Douglas

Economic Democracy

Social Credit

The Monopoly of Credit

Warning Democracy

Credit Power and Democracy

The Control and Distribution of Production

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