

The SOCIAL CREDITER

For Economic Democracy

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Editorial . . .

“It has always seemed strange to me to observe how readily a person will eat, without question, the food placed in front of him, whereas the same person will often ask all sorts of questions about a medical potion prescribed by his doctor. My contention is that he would not need the latter if he knew more about the former.”

Written recently by Delia Smith? Or Raymond Blanc, owner of *Le Manoir aux Quat'Saisons*, the hotel and restaurant with its own two-acre kitchen garden supplying fresh organic produce? Nothing of the kind. The quotation appeared in the 17th May 1934 edition of *The New Age*, a social credit weekly devoted to the promotion of an earth-centred, spiritually based, equitable and sustainable political economy. We will be carrying quotations from this and other early social credit publications in order to reclaim our history. The anti-globalisation and environmental movement did not start with Rachael Carson, still less with Seattle. Following Douglas, we note that there is no such thing as ‘past history’, and that it is essential to reclaim our historical and cultural heritage, not to halt the march of progress but to progress constructively towards economic democracy.

To this end, we seek to complement the historical material on Douglas social credit with discussion and reviews of compatible contemporary events and publications. We are also continuing to add to the Secretariat Library, which now contains books and periodicals covering the entire lifespan of the social credit movement. As yet, the library is not catalogued, and offers of help in this process would be most welcome. However, we are prepared to loan out copies of books which remain ‘in print’ (Details on page 11).

The introductory booklet *Social Credit; Some Questions Answered* will be available shortly at a cost of £5 (plus £1.50 p&p). A free copy of this booklet will be available on request to every TSC reader.

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Past History

C. H. Douglas

Noting the “convenient fashion” of failing to study the historical causes of war, poverty, social instability and environmental degradation, Douglas observed:

*There is no such thing as past history. Only by being quite certain what has happened, not merely what we are told happened, can we understand what **can** happen. ... Writing differs from memory in being two-dimensional instead of four-dimensional. It is only possible to write about one thing at a time. Genuine history, that is to say, the flow of events, is just as unwritable as a spring morning. You can pick out certain facts about it, which you think are important, but there are infinitely more contemporaneous happenings than you can possibly mention. ... What value written history possesses, and that may be considerable, depends primarily on the historian, and secondarily, on the equipment of the reader – on his ability to see the related facts in their true perspective (Douglas 1942: 7. 28. Emphasis original).*

Introduction

by Geoffrey Dobbs

to 'Economic democracy' by C H Douglas

This introduction was written for the 1974 (fifth) edition of Douglas' work. The first edition was written in 1919.

It is one thing for the teacher to write a forward to the pupil's work, as C H Douglas once did for mine, and quite another, even twenty-two years after the author's death, for the pupil to introduce the master's; but I am glad to undertake this, not only because it is an honour to be asked to do so by the author's daughter and copy-right-holder, but also because some introductory explanation has now become very necessary for a book written in the idiom of fifty years ago, some of which has been changed or even inverted in meaning, although its substance remains singularly up-to-date and critically relevant to the circumstances of the present day.

Economic Democracy, one of the 'key' books of the Twentieth Century, first appeared serially in the pages of *The New Age* beginning in June 1919. That is to say, it was published in what is now generally acknowledged to have been the most brilliant English-language journal of the time, and by an editor, A. R. Orage, who has become a legend. *The New Age* has an undisputed place in the cultural history of the early Twentieth Century, and it was the leading journal of the Fabian Socialists until the founding of the *New Statesman* in 1913, which marked a stage in that cleavage between the will-to-power and the will-to-freedom (to use Douglas's terms) which inevitably occurs, as the history of politics so clearly shows, in every movement dedicated, at the outset, to the betterment of mankind.

It must be remembered, however, that although *The New Age* was, in

contemporary terms a leading 'socialist' or 'progressive' journal - even '*avant garde*' in its day - the meaning of those terms has now been changed, sometimes to the point of inversion, after half a century in which the world has been rushing down the other fork of the cross-roads at which Douglas and his contemporaries stood, having ignored the signpost which he set up, and having now discovered, to its bitter cost, that it has taken the wrong path. It is therefore particularly appropriate that this book, long out of print, should be republished, and that signpost set up again, so that a disillusioned world can realise that there exists an alternative to disaster, though not without a radical change in the sort of thinking which now accepts the centralisation of power as 'progressive', and condemns its distribution as 'reactionary'.

Even before Douglas appeared on the scene, Orage and *The New Age* had chosen the path of freedom and had turned their backs on collectivist State Socialism, that is, on the socialism of the will-to-power, as well as on the soul-destroying wage-slavery of Capitalist mass-production. Under the heading of Guild Socialism they were inclined to look backwards to the craftsmanship of mediaeval times, and to reject all science and technology as of the Devil. Douglas supplied just what these people lacked. For although *The New Age* was the forum for the leading literary and political writers of the day, it was then, even more than now, taken for granted that politics and economics were subjects for the men of words. It was unheard of for someone with practical knowledge and experience of the actual processes of industry

and accountancy to take a hand.

In this, Douglas was as far ahead of his time as he proved to be in other ways. An engineer, with a wide experience of practical responsibility in many parts of the world, including the unique experience of drawing up the plans and specifications for the electrical work on the Post Office Tube (one of the earliest examples of automation in the history of engineering) he had spent the last two years of the First World War as Assistant Superintendent of the Government Aircraft Factory at Farnborough. In this capacity he brought an original mind to the question of the factory's cost accountancy - a mind which thought first in terms of the practical realities of production for use, and then considered the book-keeping or financial arrangements as a secondary convenience, much as a railway engineer might consider the railway ticket system. This might seem obvious, but it completely inverted the accepted manner of thinking which treats the whole industrial process as if it existed for financial ends, whether for profits or for employment and wages.

Douglas's first article in the *English Review* of December 1918: *The Delusion of Super-production*, would have been still a little ahead of its time if published in 1968; and his recognition of the social responsibility of the scientist and technologist, and of the colossal sabotage and waste of real resources and energy involved in our financially dominated economic system, have yet to receive their due, even now when, at long last, events have begun to move public opinion in this direction.

It is, of course, well known that, during the Great Depression of the inter-War years, Douglas's ideas achieved a considerable following, and gave rise to a Social Credit Movement which has left a small, but indelible, mark on the politics of the British Crown Commonwealth. But only a handful out of all those who called themselves his followers have ever grasped the truly radical nature of his thinking, or the fact that his proposals for monetary reform were quite secondary embodiments of the fundamental policy of the will-to-freedom, which now emerges as the sole alternative to the present domination of the will-to-power. In a world writhing again in the agonies of the money-torture, in a form even more deadly than that which afflicted it in the 1930s, the words of Douglas strike home with a force even greater than they had then, strengthened as they are by the course of events which he predicted.

To those who believe that the pursuit of power - that is, of centralised power to force one's ideas upon others - is the only conceivable course for any movement to take which seeks to better the human condition, it will appear obvious that Douglas and Orage and those that followed them in opposing the trend of centralising Finance-Capitalism merging into State Socialism, had made the wrong choice, and have paid the penalty of defying the course of history. If such power-seekers are satisfied with 'the course of history' they need not trouble to read further. But for those who believe that the truth alone can set us free, though not now until the lesson has been learnt from the consequences of the mass-pursuit of untruth, it may be noted that Douglas's analysis, based on a practical knowledge of modern technology and accountancy, went accurately to the core of the matter, whereas the analysis of Marx and of Lenin, men of words and of word-

power, was fundamentally abstract and inaccurate, although surrounded by a vast mass of detail and repetitive and hypnotic verbiage, in contrast to Douglas's condensed statements.

It is not, for instance, the widely held ownership of the means of production by 'private' (i.e. free, independent) people which creates an exploited proletariat and the consequent class struggle. On the contrary, the more 'common' such ownership is, the greater the freedom of the worker in choosing his employer, and the less 'common' the less freedom, until it disappears altogether when the State become *s* sole employer, under the abstract slogan: 'Common Ownership'.

No person of even modest private means is 'proletarianised' by accepting employment; it is the total dependence of the worker upon the employer which opens the door to exploitation, and this has no real or natural economic basis, it is monetary and ideological - a fact which becomes more obvious every year as technological invention increases the productive power of human labour, and the workers organise to 'fight redundancy'. Money, originating as bank credit, has been described as a license to live; and it was upon the policy of credit-through-the-employer as sole distributor of licenses to live to the bulk of the people that Douglas put his finger. When we consider the total dominance of monetary considerations over our industrial and political life, it is scarcely possible to deny that he was right.

There are two opposite directions in which a movement which sets out to protect and liberate the workers can move from this situation. The will-to-freedom would work towards the elimination of a proletariat through decreasing dependence upon employment, as productivity increases, decreasing the importance

of labour as a factor in production; and also with the increasing need to conserve resources and avoid waste through unnecessary employment in the production of unwanted and unneeded products. Incidentally, this would arrive at an economically classless Society through the abolition of a financially dependent and exploitable class; a state of affairs described by Douglas's title: Economic Democracy.

Alternatively, a Socialism activated by the will-to-power, while retaining the slogans and image of a movement for the liberation of the workers, can move in the opposite direction by identifying itself, not with the *people* who seek liberation from the proletarian condition, but with their class-status of exploitability through dependence on employment itself. This it can seek to glorify, to expand, and ultimately to universalise as a power-base for socialist politicians. The aim here is the same as that of the monopoly capitalist, namely the progressive concentration of employer-power over ever-growing masses of workers, which most Socialist Governments discreetly encourage, since they recognise it, as Lenin did, as an essential step towards the socialisation of production and the total dependence of a fully proletarianised population upon a single all-powerful Employer, the State.

The power-socialist views with even greater hostility than the power-capitalist the possibility of an increasingly independent worker, capable of making his own bargain with the employer, and with no need to surrender the control over his labour to a Union Leader. In consequence the Big Unions have grown into labour monopolies with far more terrifying powers over the workers than the employer holds; and have now become armies organised to demand money with menaces, not merely against the employers, but,

ironically enough in the 'public' sector, against the whole community - a strange outcome from a socialism that used to talk about working to serve the community and not for gain.

In 1918 Douglas could see great hope in the shop steward, or rank-and-file movement in industry, to reverse the centralising tendency of the Unions, in that it was decentralised, with the control of policy coming from the shop-floor upwards, instead of, as in the Unions, from the top downwards. Insofar as this is still true, it is probably still an important factor tending towards industrial peace and efficiency, due to the understanding and settlement of genuine grievances. But in the meantime this movement has been the particular target for penetration by communists whose policy is the ultimate centralisation of power through the final merger between employer power and Union power, money power and bureaucratic power, legal power and police power - all concentrated in the all-powerful Work-State under the slogan 'all power to the workers' and under the sign of the clenched fist of mass-intimidation.

There can be no doubt that the socialist movement, nowadays, has rejected the will-to-freedom (except for lip-service) and is wholly dominated by the will-to-power. Neither is this sort of socialism limited to the Labour Party or the 'Left'. Was it not Baldwin who said, as long ago as the 1930s: "We are all socialists now", and since then, the line between 'Big Business' and socialism has become still more tenuous. The hope lies in that its disastrous objective, the Socialist State, is at last becoming recognised for what it is: the end-position of monopolistic Finance-Capitalism, or, as the young people of the New Left are inclined to call it, with greater emotional than historical accuracy: the Fascist Police State. Unfortunately, some of them do not recognise the anarchy of 'continuous revolution', which they

have been led to suppose will avert this State, as an essential part of the fear-mechanism which is used to introduce it. It is necessary to be far more radical; to get down to the real causes; and to take the rejected path to freedom with Douglas.

One of the difficulties in this re-thinking is then change in the meaning of words and phrases brought about by their continual use in the propaganda of power, so that parts of this book may be completely misunderstood if taken in their current and corrupted meanings. This applies particularly to words which refer to people and to property or ownership, which, in the idiom of State Socialism which has become the accepted idiom of the day, are abstracted from their real meanings and taken in a collective or exclusively monetary sense.

Thus, in any political appeal 'the people', 'the community', 'Society' always starts by meaning the actual people - you and me and everyone else - considered collectively, and Douglas always used such terms in this sense. Now these words refer to some vague, collective Moloch whose 'interest' is directly opposed to that of actual people, now called 'private persons'. 'Common property or ownership used to mean *our* property or ownership; and the appeal of the word 'democracy' lay in the opposite of financial monopoly or centralised government, namely in the idea of maximum distribution of political and economic power to everyone, as a person, not as a unit in some mass.

Property is something which is 'proper' to a person, and ownership applies to something which can be his 'own'. These words refer to men and women, not to abstractions; and they imply the right to possess, to enjoy, and to 'exploit' in the wholly beneficial sense of 'to make full use of, to get value from' as well as to dispose of to the owner's advantage. So long as the

monetary transactions correspond to these realities they are merely a very useful convenience. It is not until the book-keeping becomes the main objective, and the monetary sense usurps the real sense of the words that their meaning can become inverted, and 'exploitation' can come to mean the misuse or waste of resources for monetary ends and the failure to get value in real terms from them. 'Property' having now become 'the right to get money from' and 'the people' a collective mass represented by the Government, the way is now open for the complete inversion of 'common property' to mean the expropriation of all actual people, while the real powers of ownership pass to the ruling oligarchy and its dependent bureaucracy.

These explanations have now become quite essential for most readers of *Economic Democracy* whose memories do not go back to the time it was written. For instance, Douglas's statement in Chapter 8 that:

"Natural resources are common property, and the means for their exploitation should also be common property".

will inevitably be taken, nowadays to mean that natural resources should be expropriated by the Government, and that property in them, far from being common, should be abolished. It will be quite hard for many people to grasp the strange idea that he meant exactly what he wrote: that 'common' meant common; 'property' meant property, and 'exploitation' meant enjoyment and use by actual human beings. Perhaps some examples will be helpful.

Air, for instance, is a 'natural resource' which is unique in being common property in the most complete sense - available to everyone, everywhere, at all times, since all have the means for its exploitation in their lungs. If it were to become 'common property' in the

State Socialist sense, it would, of course, be vested in the Government, and everyone would lose the right to breathe freely, exploiting for their own personal gain the property of 'The People'. This is, I hope, far-fetched, but the same principles are already being applied to water, which has some of the essential and universal properties of air.

Land, on the other hand, is a resource of a different nature, in that it is fixed and local. It is also a 'mixed' resource; in part a universal essential, but in part also a form of capital of no direct use *per se*, but only as a vital factor in the production of necessities such as food, clothing and timber. As common owners of the land we all need to be and to walk upon it and to traverse it for purposes of travel and recreation, wherever this does not infringe more important forms of ownership. We also all need to dwell and to make our homes upon a particular piece of land, and it is here that the contrast between the aims of the will-to-power and the will-to-freedom is at its most obvious. Ought the land to belong to the people - for instance, ought freehold home ownership to be as common as possible? Or ought it to belong to 'The People', with the actual powers of ownership exercised, through its agents, by one great Absentee Landlord, the Government?

Land as productive capital is quite another matter. There is no case for common ownership here (in the sense of administrative control) by anyone who lacks the skill or the will to produce from it; though the Englishman's love of his garden is a sign that this skill and will is quite common, even among town-dwellers. But for the non-producer it is not the land, but its produce which he needs to own.

The same applies to coal, oil, or minerals in the earth's crust. What

use could most of us make of a coal seam, a copper deposit, or oil or gas under the North Sea? To talk of common ownership of these in the real sense is meaningless nonsense. We cannot exercise the rights of ownership until they have been converted and made available to us in usable form. Exactly the same considerations apply to the ownership of the capital equipment of industry required for the processing of these resources for our use. What real (not monetary) use could we make of a coal mine, an oil rig, or a steel mill?

It is most important, however, to realise that, financially and collectively, we have to buy these capital equipments, and also their intermediate products, in paying their cost in the consumable goods they eventually produce; and in this sense they may be termed 'common property'. The financial system ought, therefore, to enable us to meet their cost without mortgaging the future.

As Douglas makes clear, production is the conversion of matter or energy from an unavailable form to one in which it is available for the use of mankind. The efficiency of this conversion depends primarily upon the usefulness of the end-product. Usefulness to whom, and who is to be the judge of it? Douglas says these resources are common property; which means that they ought to be made available for our use, and we are the judges of that use. And that means consumer control of production: Economic Democracy; which is incompatible with a system which distributes goods and services only through the process of producing more goods and services, thus giving a clear incentive to produce useless, unwanted or superfluous things, and to create a 'demand' for them.

We are said to live in a 'Consumer Society' suffering from the disease of 'consumptionism' due to the greed of

the common people as consumers. But this puts things upside-down. 'Productionism' or 'employmentism' would be better names for the disease, for we are passing increasingly under producers' control, the consumers, whose greed is much exploited in the process, being force-fed with the by-products of an industry which is primarily concerned with the provision of work and the distribution of money. This aim is opposite to, and incompatible with, that of production for use with minimum cost and waste of energy and resources; and its end-position of 'workers' control' - the dictatorship, not of one class over another, but of Man as the hired agent of others over the same Man as free Agent - is incompatible with economic democracy.

The necessity for consumer control of production is the necessary background for an understanding of Douglas's monetary analysis and proposals, and much confusion has been caused by critics who have not grasped this, but who used to maintain that he had mistaken a temporary shortage of purchasing power due to deflation for a permanent deficiency in the system. In fact Douglas never said that our producer-dominated credit distribution system could never distribute the money to buy the goods wanted, but that it could not do so without producing what was not wanted, and with accelerating waste and sabotage. If work accomplished, priced to cover an accumulation of costs over an indefinite period, can be distributed only through work in progress (to be piled onto the accumulated costs of work completed next year) then we have the recipe for our modern predicament - the necessity for continuous 'economic growth' with ever-growing squandering of energy and resources, as technological advance increases the product per man-hour. Unless inflationary producer credits,

supplemented by consumer credits mortgaging future wages, are poured out faster and faster, then we can buy less and less of what we have produced.

Douglas alone has analysed the situation correctly and shown us the way out; and events have proved him to have been right, and his critics wrong. Distribution, he pointed out, should be a function of work accomplished, not of work in progress. That means that the people, collectively, ought to be able to meet the accumulated costs of all the goods they want as they come on the market, without mortgaging the future. Douglas defined 'purchasing power' as "the amount of goods of *the description desired* which can be bought". It is not satisfying consumption which is waste; in fact that is the sole purpose which justifies production. It is non-consumption, or unwanted, or forced, or hypnotically induced over-consumption which is waste. The processes of increased technological efficiency which go on in industry ought to be resulting in a continuous fall in prices, but this is more than offset by the charging of all waste and inefficiency to the consumer. It was he also who defined 'real credit' as "a measure of the effective reserve of energy belonging to the community" which ought to be reflected in the financial system. These considerations, put forward in 1918, can now be ignored only at our dire peril.

It must be remembered that *Economic Democracy* was Douglas's first book; the prentice effort of a mind already mature, but which was to grow in depth and incisiveness for another thirty years. It is certainly his most 'difficult' book; it is incredibly condensed, and it took a mind of the calibre of A.R Orage's to grasp its significance when it was written. Douglas once told my wife that *Economic Democracy* was the last of

his books that he wanted to see re-published, and he is understood to have had thoughts about re-writing parts of it, notably Chapter 8 with its 'purely idealistic' scheme at the end, which was admittedly not practicable at the time, in contrast with the proposals for redistribution of the National Debt in Chapter 9, and for the Just Price in Chapter 10. These may be seen as early examples of proposals embodying the principles of consumer control, produced under First World War conditions of centralisation, for application in the post-War situation. The later development of Douglas's financial analysis and proposals may be found in *The Monopoly of Credit* (1931); but he was always capable of producing, *ad hoc*, a precise set of monetary proposals for any given situation; and these were never intended as any sort of permanent plan or programme.

Here, then, are some of the reasons why I have thought that this first book now needs an introductory Chapter to put it into the background of the late Twentieth Century, and to dispel some of the garbled versions of Douglas's ideas which have been put about in the meantime. *The Delusion of Super-Production*, Douglas's first article, published in the *English Review* of December 1918, has been added as an appendix at my suggestion. It is difficult to imagine anything more prophetic or relevant to the situation of the 1970's

There is always a time-lag of generations between the appearance of a seminal idea, and the possibility of its widespread acceptance by minds which can be opened to it, on a large scale, only by the heavy pressure of events which have been correctly anticipated. It appears that this time is now approaching for the opening of minds to Douglas's ideas. In the 1920's and 1930's many people could see their application to the situation of 'poverty amid plenty'

through mass unemployment among unsold goods and unused productive power. But most people could see no further when, as Douglas so frequently predicted, this 'problem' was 'solved' by the vast super-production of War, and Keynesian economics brought in the era of accelerating super-production via continuous inflation and 'employmentism'.

At long last it is being realised that this cannot go on indefinitely; that even this rich planet with its continual shower of energy from the Sun, cannot endure without impoverishment the wasting of its resources at an accelerating rate upon purposes other than the precise requirements of the people who live on it - purposes such as the distribution of book-entries and money-tokens, or the imposition of the will of a handful of controllers of production. Already the environmental Movement has become a 'bandwagon' which has been taken over by producer interests concerned to exploit (and often to exaggerate) the scarcities they are making, so as to tighten still further the dictatorship of the producer and distributor over the people they are supposed to serve. In conclusion, it may be said, literally and solemnly, that no efforts to deal with this economic dictatorship, or to avert the environmental crisis which it is bringing about, can hope for success on the scale necessary to avoid disaster, unless and until prejudice is laid aside, and the fundamental revolution in ideas which was inaugurated by this book is accepted and put into effect.

Geoffrey Dobbs
Bangor May 1974

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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.

(continued)

KH: Regarding World Bank leadership ... should economists continue to dominate affairs at the Bank ...?

Daly: ... I think economists exercise too large an influence at the World Bank. ... You might think of the Bank as kind of the functioning church in the world out there trying to do good in the world. And the economists at the World Bank all went to seminary and learned their theology and they're trying to apply that theology in the world to do good. Well I think they learned bad theology. I think the seminaries were teaching bad theology and that takes us back to the first point about the intellectual high ground in economics. All economists who work at the World Bank, whether they're from Africa or California, I mean they got their degrees from Harvard, MIT, Oxford, McGill, you know all these top-rate universities across the world, which all teach pretty much the same thing. And so that's their view of the world. And, give 'em credit, they're very often wonderful people trying to do good in the world on the basis of what they know and what they've been taught. So I think the real problem goes back to the academic departments of economics which are supplying the World Bank economists and which are still directly supplying advice to the World Bank. And of course since the World Bank is populated by the products of these places, they're eager to receive the advice from them, and I think that's a fundamental problem. Now, since I pick on economists so much I should say though that when you look around, is there some other discipline that's better? ... for development decision-making. That

tends to make me a little more appreciative of economists because the problems that I've been criticising economists for are problems of the disciplinary structure of knowledge. And that's not just limited to economists. All universities have this disciplinary structure in which the discipline is defined in its own terms, in an inward-looking way. So while I would like to see more influence of sociologists and anthropologists and certainly ecologists and environmentalists at the Bank, I wouldn't want to turn it all over to them. I wouldn't want any of those disciplines to be as dominant as economists are. So I guess my argument would be for a more diverse set [of] disciplinary backgrounds. I wouldn't want to replace economists with sociologists. I don't think that would do the job. On the other hand, I think a greater influence of sociologists and especially ecologists and environmentalists at the Bank would be absolutely needed.

KH: If economics has been so successful because of the tools it has given people to make decisions, what new tools do you think should be added to the development decision-maker's tool kit?

Daly: I like your questions. That one's a ... I think economics has been very successful in one very important area: allocative efficiency. So that [regarding] the efficiency of allocation of scarce resources among competing ends, economists have preached the importance of decentralised decision-making coordinated by markets and the price system. This has historically dramatically proven to be much better than central planning in this collapse

of the former Soviet Union and so forth, [and] is something that needs to be recognised and taken seriously. As far as market control of allocation of resources [goes], I think economics has provided a whole lot. And good reasons were given for why this is so. Now, my problem is that allocation is only one fundamental economic problem. It's important, but it's only one. There are two others, which I mentioned briefly before: there's distribution and scale. So allocation is about how resources get divided up among different users - how much goes to produce bicycles, how much to cars, how much to houses. You know, is that efficient given what people want and their ability to pay. You end up giving people the most that you can get of what they want with the resources available. That's a question of efficiency - are allocations efficient or inefficient? The distribution question is a question of justice. Who gets all the stuff that was produced. Does it go to you or me. And that's a question of justice - is it fair, is it a fair distribution? And then the third question of scale - the total amount that gets produced in all of the resources and the depletion and pollution generated by the use of those resources. Is that at a total scale which is within the absorptive and regenerative capacity of the ecosystem? Or are you destroying natural capital at a rate which is too great? The welfare effects of destroying natural capital may be greater than the welfare benefits of what you produced. And whose products required the destruction of that national capital? So just from a purely anthropocentric view, not giving any value to other species or nature intrinsically, just as an

instrument for human betterment, you still run into this limit of scale. So I think those are the two questions which economists have not dealt with. They have logically recognised the necessity of the distribution question and so standard economic theory says that all theorems about allocative efficiency pre-suppose some given distribution, which may be just or unjust. They recognise that, but they don't emphasise it. It's there but it's not front and centre. And the scale question is not even recognised. That's off the radar screen. And to the extent that it's recognised, well it's just a matter of property rights - 'If we just get prices better in property rights, then the problem disappears. It doesn't matter if we grow more as long as we pay the costs of growing more.' So my view is that while economics has done a great deal in the matter of economic efficiency, it has been negligent regarding distributive justice and extremely negligent regarding optimal scale. So those two things are where the effort should go. We've pretty much given good answers to the allocation problem, I don't think we need to spend time and effort proving once again that the market is efficient, investigating every possible variation. I mean okay, there's room for people who are interested in that, I mean fine, I don't want to tell people what they should do, let people study that. But socially, I don't think that's where the big payoff is right now because past success in that has been impressive, and we need some success in the areas of distribution and scale and that's where we need to devote the effort.

KH: Can you think of any particular tools in those areas which you take a shining to?

Daly: I think that yes, there has been an evolution in policy which has forced us to deal with the scale question. And that has been in things like the bubble system where [there are] marketable licences to deplete or

pollute. And these kinds of policies are excellent because they clearly say the first problem you have to solve is the scale problem - what's the total amount of emissions that are acceptable in this watershed or airshed or county or whatever. The second question is, given that there's that total limit, that means it's no longer a free good, that means it's valued: the distribution question - who owns it. You've created a new asset which is now limited - who owns it? Shall we give it equally to all citizens? Shall we give it historically on the basis of who's been using it most? So you have to face the question of fairness of distribution. And then in third place - after you solve the scale question, on ecological grounds presumably, after you solve the distribution question, on equity grounds presumably - only in third place is the market trading allowed to solve the allocation question and efficiency. So I think that [has] provided a way of moving in the policy area ... And since it seems to have evolved pragmatically, I think it's way ahead of a lot of standard economic theory. It just sort of pragmatically brought in scale without creating a big fuss about it. ... And of course population issues, we have to deal with population limitation and that's been a long and heated subject but I think we do need to deal with that much more forthrightly. And well the scale question - that's part of the scale question of population times per capita resources or total resources. So one way of reducing scale is dealing with population, the other way is per capita consumption. So both of those I think are important. So in the North we have to focus more on limiting our per capita consumption. In the South I think the focus has to be more on limiting numbers. And that might be the basis of a kind of North-South bargain. Because currently it's very difficult for the North to tell the South you should limit your numbers so you save all these resources that we can gobble up in over-consumption. And

it's also difficult for the South to say to us, you should limit your per capita consumption and save these resources so we can dissipate them all in population growth down here. So it seems to me there has to be some basis of a global agreement or compact. And that idea of limiting scale, by operating both on population and per capita consumption is to my mind a reasonable possibility. But I don't mean to tell you that's it's not something that popular, it's certainly not popular. The other thing I would mention in addition to this tradable permits notion and that some of us are pushing right now ... given the political climate, probably the best thing that we can pray for is ecological tax reform. Shift the tax base from income, labour, value-added onto that to which value is added - namely the resource flow. So tax throughput, tax depletion and pollution, tax the resource flow - that to which you are adding value. That is what's causing depletion and pollution. Those are 'bads'. Tax bads, stop taxing goods. That's the basic idea. You don't want to tax what you want more of. You do want to tax what you want less of. This could be sold as a revenue-neutral shift. We're not going to tax more, we're going to tax differently, we're going to tax different things to instil different incentives. And the incentives that result from this would be not to dampen the incentive to work or to accumulate capital or to improve it, but to dampen the incentive to use more resources. So we would then collect money from the resource flow, which is what is tightly associated with depletion and pollution. And that would I think be a move toward efficiency, and standard economists agree with that to a large extent. It's kind of a political movement. In Europe, in Germany, Ernst von Weizsäcker and others have pushed this idea very strongly and I think convincingly. So it seems to be kind

of the one policy I can think of now which in a conservative political time might have some political chance of being considered, and yet which could still have some real bite, some real effect. Now, some people would immediately say that it's very optimistic to think that it's politically feasible ... given our recent experience here [in the US] with an attempt to pass a gasoline tax. So this would be kind of [a] gasoline tax writ large on all resources. Well you know, maybe so. It wouldn't be politically easy, but it does seem to me that it's in the realm of feasibility. There's so much logic to it, and I think your neo-classical economist [and] your ecological economist pretty much are in agreement that this would be a good sort of thing.

KH: Re revenue neutrality - not within a sector?

Daly: Absolutely. It would be revenue-neutral only in an aggregate sense that the government raises the same amount of revenue. By raising it differently it would impinge on different groups differently so that you might say that everyone would benefit by a reduction in income tax and everyone would pay more in resource taxes. However the next balance in each case is going to be different. Some people or some interests may consume a whole lot of resources, and so there would [be] a shifting incidence - the incidence would fall differently, so I think that probably initially to gain political acceptance there would have to be some compensation for the differing incidence. So maybe corporations who are adversely affected by the shift would ... maybe they would get a little greater forgiveness on income taxes or something. But those are important questions that have to be worked out, it's pretty hard to know exactly what this incidence would be. And one would have to move towards it gradually, a certain amount each year. We couldn't just do an abrupt,

all-at-once shift. It would have to be a gradual thing which would give people a chance to see what's coming and adapt to it before it hits, and make their adjustments.

KH: Thank you very much.

Daly: Thank you.

This interview was conducted at College Park, Maryland, USA on February 8, 1995.

Letters

Reply to James Robertson

James Robertson advocates creation of new money be authorised by the government and implemented by the central bank on the grounds 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 the power of the Treasury" (See *TSC* March 2002, page 79). Douglas would certainly have agreed that this route to monetary reform would stand more chance of implementation than his radical proposals for reform of the debt-based money system, whether in his day or at the present time. He would not, however, have agreed that such reform would have any effect whatsoever on the inherently unstable economic system which fosters wars, poverty and environmental degradation. It is precisely *because* the Robertson/ Huber proposals *would* change nothing that they would be acceptable to the powers that be.

Douglas' well-rounded case for monetary reform is set within the context of a sane, steady-state economy (as suggested by Herman Daly) in which incomes are no longer inextricably linked to the wage/salary

system. We seek, in these columns and elsewhere, to flesh out this rounded body of theory and practice. Far from being outdated, social credit forms a coherent alternative to globalisation, being based upon the study of how the economy actually works, in the context of the study of theology, ecology, history, politics, literature and the other arts. It breaks the boundaries and artificial dualisms which have shaped our way of life, to disastrous effect. David Cromwell (See Reviews) quotes Robin Hahnel: "what we are fighting for is merely the substitution of the human agenda for the corporate agenda" (page 219). Douglas would heartily agree, not only with the sentiment but also with the current trend to co-operation within the many stranded anti-corporate agenda.

We welcome extended debate on the subject of monetary reform and its role in reducing the powerlessness of single-issue protests on a global scale. Together we can work for positive change. In isolation we merely speak truth to an unlistening power.

We hope to continue this debate in these columns and on our website.

Frances Hutchinson

Special Offer for TSC Readers

In the last issue of *TSC* we carried a review of Alastair McIntosh's *Soil and Soul: People Versus Corporate Power* (Aurum Press). This indispensable work is now available in paperback at £12.99 from your local bookshop. We also have a limited number of copies of the first edition hardback version, originally priced at £17.99, now available to *TSC* readers for £11.99 + £3.50 p&p. Unless we're very much mistaken, this will become a highly collectable item.

Book reviews

Low-flying heroes: Micro-social enterprise below the radar screen

By Alex MacGillivray, Pat Conaty and Chris Wadhams

(London: New Economics Foundation ISBN 1 899 407 36 7; 2001)

The flyer reads:

The 'radar screen' which measures community activity is failing to pick up huge numbers of small, dynamic, informal groups in Britain's communities.

The book offers glimpses of about 20 small social enterprises and the people who run them. The New Economics Foundation (NEF) carried out interview research in Birmingham and Hastings as well as a review of some British literature on social enterprise, micro-enterprise and the non-profit voluntary sector.

The best aspect of the book is its optimism. A certain faith in the strength of local human relationships colours the text with a rosy glow of hope. Not only are local social enterprises surviving, say the authors, they are a growing sector which needs a revised 'mutuality' regulatory framework. In the rest of this review I discuss the financial framework proposed and the underlying assumptions of the NEF.

At the outset the authors pose a contrast of meanings: Business for the sake of profit versus enterprise for the sake of innovation. As proponents of the latter, the NEF recommend that grants be stepped (large ones following successful use of small ones) and application procedures be streamlined. The contrast of the for-profit discourse and the not-for-profit discourse is stressed even more when the authors offer a direct alternative to the

accountants' Internal Rate of Return.

- **Inspiration**
- **Resources**
- **Relationships**

These are the three pillars upon which micro-social enterprise rests (citing Perry Walker at NEF).

However the separation of these two viewpoints is belied by details of the NEF viewpoint. Cost-minimisation, borrowing start-up capital and paying market wages are three elements of the for-profit discourse that have crept into this book. Furthermore, the researchers' interview schedule reveals a bias toward "making your project as independent as possible", producing a business plan, and raising funding. Whilst NEF is admirable in building bridges between the for-profit discourse and the non-profit discourse, the bottom line always seems to be commercial self-sufficiency. Implicitly there is a market orientation which ignores the power of state or local government to decide on its social agenda and to act. The authors foresee no growth in the active role of state or local agencies in funding the interesting, valuable, socially desirable activities.

Perhaps the NEF bottom line keeps moving towards a commercial orientation when I would prefer to see it moving away, as advocated by Michael Lerner in his books (such as *Spirit Matters* and *The Politics of Meaning*) and within social credit texts.

Thus it begins to appear as if the NEF view presented here is pro-informal but only in the context of a minimal-government, neoliberal, market-oriented approach. This is social democracy as viewed by the Third Way. As a force for change it is whistling in the wind.

My second focus is therefore on the underlying assumptions made in this book. The ability of markets to give justifiable wages to different types of

worker is not questioned. The banks' capacity to require self-sufficient commercial operation in exchange for micro-loans is not questioned. Nearly all the examples in the book are women's voices, yet the triple burden on active women (family + job + social work) is not questioned.

My conclusion is that the reforms suggested by the NEF are constructive yet they amount to tinkering. The NEF's attempt to re-value women's social work is much appreciated. The role played by NEF in mediating between local groups and the UK government may be a helpful one. The present book, however, underestimates the scale of the changes that will be needed for real improvements in human lives. Local government's responsiveness; regional decentralisation with the power to issue money; fundamental changes in valuations away from money evaluation and toward making public assessments of shared needs and social goals - these are the missing links. Of course this agenda would require a longer book than 84 pages!

Wendy Olsen lectures at the University of Bradford on economic development, social research methods, and gender and development. She is active in the Association for Heterodox Economics and the International Association for Critical Realism. See www.bradford.ac.uk/staff/wkolsen for more details.

Private Planet: Corporate Plunder and the Fight Back

David Cromwell
Jon Carpenter, UK
2001. £12.99

At first glance, here is yet another quest to swim against current trends in vain, critiquing global corporatism without hope of turning the tide. However, true to its subtitle, *Private Planet* describes both the problem and the ongoing quest for solutions in

an authoritative and readable style. Detailing many causes for concern, David Cromwell explains why the majority of people who lead a reasonably affluent lifestyle", offering them the time and energy to consider the matter, do not go out and demand from their leaders a reorganisation of society. The question is answered.

The first two chapters demonstrate that free trade benefits transnational corporations and wealthy investors, while the requirements of the rest do not even come into consideration. Transnational corporations are now responsible for one third of global production and two thirds of the world's trade. The history of the WTO, MAI, SAPs and other quests to render the poor even poorer in the name of global corporatism are clearly documented and well referenced. However, the third chapter 'makes' the book. Drawing expertly upon the work of Noam Chomsky, and providing a useful introduction to Chomsky's work, Cromwell offers a thoughtful explanation of the inertia of the affluent, reliant as they/we are on the mass media for information about current issues.

Using specific examples, Cromwell describes in detail the 'propaganda model' whereby the five classes of 'filters' determine what is 'news' i.e. what gets printed in newspapers or broadcast by radio and television. **Ownership** of the media has become increasingly centralised, as more independent 'worker-friendly' newspapers have disappeared. The threat of withdrawal of **advertising** is a central concern to editors, hence they cannot publish much by way of criticism of their advertisers. The **sourcing of news** is essential to journalists and editors, who find themselves barred from press conferences if their reporting is unfavourable to the individual, government department, business or

other institution concerned. Business organisations often come together to form '**flak**', "negative responses to a media statement or [TV or radio] program". The emasculation of dissident viewpoints through '**demonisation**' as 'biased', 'ideological', or 'extreme'. These filters are particularly interesting to social crediters, since the history of Douglas and the social credit credit movement can provide a wealth of detail on the operation of the five filters.

While US business spends \$500 million a year in 'greenwashing', environmental issues are kept separate from the "'real' bread and butter issues: interest rates, superpower posturing, corporate take-overs and personality politics". Climate change is reported in dry factual terms, and then the reports return to business as usual. "It is truly surreal", the author observes. He concludes that attempts to 'speak truth to power' on the lines of the Quaker model is a waste of time. "As Chomsky said: 'The audience is entirely wrong, and the effort hardly more than a form of self-indulgence.'" He further quotes Chomsky as suggesting we engage with:

an audience that matters - and furthermore, it should not be seen as an audience, but as a community of common concern in which one hopes to participate constructively. We should not be speaking *to* but *with*. (Emphasis original).

'We' are the producers and the consumers without whom global corporatism would not exist. We need to un-learn the notion that we can only think the "specialised thoughts" of a divided labour force, dismissing the wider scene as "beyond our field of expertise". Chomsky, the linguist, claims the right to speak on domestic politics and foreign affairs because "I am a human being". We all have the

powerful right and duty to speak as generalists living in the real world.

At present, as Cromwell observes: "The destruction of the Earth, apparently, is always someone else's business". However, if 'we' are to speak out together, we require first to study the institutions which govern our lives. What was the McLibel case all about? Why is it that money is available to build nuclear missiles but not to provide aids for the disabled? What questions should we be asking about the food that ends up on our tables? Cromwell provides an excellent work of reference, citing examples of community action and key written works seeking to break down the barriers between narrow theoretical specialisms and single-issue campaigns, using carefully referenced examples. I can highly recommend this well-researched, accessible documentation of ideas and resources. The reader will have to weigh up for themselves why it is that, although they raised the same questions throughout the 20th century, Douglas and social credit are not even mentioned throughout this work.

Frances Hutchinson

The Social Credit Secretariat Library

Most, although not all, of the books reviewed in recent editions of *TSC* are available on loan by individual arrangement.

Basically, it is a matter of sending two cheques. One cheque for the value of post and packing will be retained, while the other for the value of the book will be returned when the book is returned to the library. A limited number of duplicates for out-of-print books and pamphlets are also available on loan. Contact the Secretary for details.

The Social Crediter is the official journal of the Social Credit Secretariat. It promotes analysis of the current financial and economic system as developed by C.H.Douglas in the 1920s and discussed within the social credit movement throughout the 20th century. 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.

The purpose of the Secretariat is to promote Douglas's original work and to guard against the misuse of his ideas. Sadly there are individuals and groups in the UK and beyond who seek to promote their own ideas under the guise of social credit

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Frances Hutchinson

What Everybody really wants to know about Money



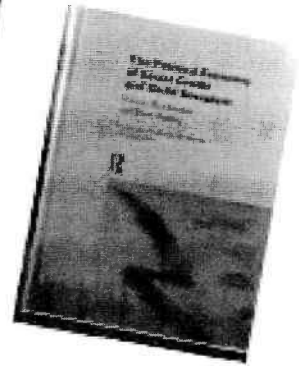
Alan D Armstrong

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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