

The SOCIAL CREDITER

For Economic Democracy

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Editorial

In this issue we carry a range of writings, both past and present, in our venture to set monetary reform into its wider political context. The review of Douglas' *Economic Democracy* when it first came out in 1920 is intriguing, not least because Douglas' "heterodox theories" are recognised as being relevant to the contemporary political debate. The book was widely reviewed in the mainstream press, being taken very seriously indeed – note the final sentence. Equally curious is the end of the penultimate sentence, with the writer being able to assume the reader would understand what was meant by a "League of Nations with a lie in its soul". Within the year of publication of Douglas' first book, money (£5 million) started to be made available to the Institute of Bankers for the purpose of attacking Douglas' work, as Douglas noted in *The New Age*, 28 March 1929. Concerted efforts to discredit social credit by fair means and foul continue to this day.

The reviewer of *Economic Democracy* presents an excellent summary of social credit theory, while demonstrating that in the early decades of the twentieth century serious debate on political and economic issues was not left to the 'experts', but involved many people in all walks of life. Douglas was invited to address the Oxford Labour

Club, and at least one young student (James Meade) was to take up social credit themes, albeit within mainstream theorising. Douglas was critical of the Labour movement because it was prepared to continue the system of wage slavery, widely recognised as the linchpin of the capitalist production system. This Douglas equally rejected as environmentally and socially inequitable. The reviewer's use of the term 'anarchism' is very apt. Douglas held the moral position that freedom is an absolute value. No one should ever be obliged to obey authority without having freely consented to do so. Under wage slavery (and equally under salary slavery) people hand over control of their decision-making for long periods of 'work' time. Douglas, like Marx and Veblen before him, sought an end to the wage slavery, the crucial component of the capitalist system of production. Hence, as the reviewer notes, the "delightful and true anarchistic proposal that the community should issue credit to the consumer as such!" There is no earthly reason why people must sell themselves into wage slavery, working to produce masses of useless artefacts, including vast quantities of armaments, cars and consumer fashion items, so that part of the money paid out (as debt) to start the production processes, can be paid out as incomes to consumers. Direct payment of a national dividend or citizen's income could be readily achieved through democratic, though not centralised, state control of the banking system.

Sadly, today politics has been reduced to analysis of opinion polls, while debate among economists is very like medieval arguments as to how many angels can dance on the point of a pin. In the meantime, isolated lone voices are swamped by the deluge of mis-information. With this in mind, readers might, perhaps, obtain copies of Social Credit Secretariat literature and encourage others to read on the subject, and on other texts reviewed in *TSC*, most particularly Alastair McIntosh's *Soil and Soul: People versus corporate power* (Reviewed in *TSC* March 2002, and on special offer for hardback, only one or two copies left). Recently I have presented papers at a series of conferences. These papers can be ordered from SCS, and will be available on the website.

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Letters to the Editor

Banking whitewash remarkably successful

From 'Electronz', Weekly International E-zine on the New Economiccs

President Abraham Lincoln said that if Americans found out how the banking system really worked, there'd be an immediate revolution. That over 200 years have elapsed without the predicted revolution proves how effectively the public in America and elsewhere have been screened from the basic facts of banking.

Because of the symbiotic relationship between government and corporate business and the finance sector, which solidly supports the other two sectors, it is unsurprising that neither the education system nor the news media show any enthusiasm for including the fundamental facts of banking as part of their brainwashing processes.

It is not accidental. It is the natural result of a continuous monitoring, surveillance and protective strategies, all with top-level PR consultancy services. From the underwriting of university chairs of banking to funding government loan programs (which if governments were better informed they could do for themselves) to sponsoring sporting events, etc. Such apparently unrelated activities are all part of overall strategies to firstly keep the image of banking so squeaky clean that no-one could even dream of banking being less solid than the Rock of Gibraltar, and secondly to attract customers on the basis of them being in serious competition with each other.

To those who really understand the relevant facts of the matter this is all a massive whitewashing or misinformation campaign, and it is so obviously intended to maintain particular myths that obscure the facts from public view, that not only verbally but even in print, supporters of the status quo will repeatedly

parrot them like a religious mantra.

A recent example was the Corporate Manager of the NZ Reserve Bank writing a letter to a newspaper saying that his bank, like the others, had to attract deposits to lend, despite his employer bank having admitted in published submissions to a Royal Monetary Commission just the opposite: that deposits being bank liabilities cannot and do not get lent, but instead bank loans are creations, as allowed by their licenses, of new credit, and they increase the Money Supply (M1) accordingly.

That another correspondent was allowed space weeks later to challenge Paul Jackman's letter as being banking mythology and misleading rubbish would still, by virtue of Mr Jackman's position, encourage readers to think he must be talking facts. This subject has become topical because of several books and major articles being in draft form at present in the hope of being published. All purport, or at least are aimed at, improving the public understanding of economic matters, but on the basis of past contributions there is a high risk that most of the pearls will be lost in the mud of mythology.

The purpose of this article is to stimulate thinking among authors and readers to assist both in recognising and hopefully avoiding the mud and quicksand so generously distributed by bank spin doctors and their supporters. Future economic historians will see the extant literature as a massive enigma.

One collection of authors with connections to academia, corporate business, monetarism, and enjoying top incomes, are given constant media attention, but see no need to

even question the status quo, let alone rock its boat with heretical thoughts like monetary reform.

Most other authors, with Prof. John Hotson as an obvious exception, have not graduated through Economic faculties, but have been driven to study it as the common barrier which subverted or blocked their projects which should have been successful. The fields of engineering, town planning, nuclear physics and sociology are all well-represented, with the dominant orientation involving a scientific or engineering approach, and an absence of untested assumptions. The eventual conclusion of most, beyond puzzlement that a high-tech civilisation still tolerated an economic system which on the basis of results can only be described as a failure, was to urge analytical study and fundamental reforms.

A typical observation was in the final paragraphs of "Christian Doctrine of Wealth". This 2-year investigation is convinced that the cause of a string of social, commercial, and political problems derived from the debt-finance system "in which all money comes into existence as interest-bearing debt", and then urged it as an "imperative Christian duty to press for the introduction of a system without these impediments".

Leaving aside the supporters of the status quo, and only considering proposals for reform, authors are able to be separated into two identifiable groups.

Group A, which includes gurus like Prof Thomas Robertson, Sir Arthur Bryant, Dr Keith Roberts, Prof Soddy, Engineer Clifford H Douglas, and the like, who fully understood the principles and mechanics of credit creation by banks and were

consequently able to suggest a range of viable modifications and reforms which would lift the traditional and subversive debt-burden and facilitate a rapid rise in living standards and human welfare.

By contrast, Group B came up with a collection of naive suggestions which by-passed fundamentals and included such way-out ideas as transferring the tax load onto land; and introducing a surtax for those living in their own homes; borrowing from overseas new credit from private banks to pay current wages of teachers and lecturers; and so on. Apart from such schemes under proper analysis being demonstrably indefensible, the other common factor in Group B authors is

that they either.....understand credit creation but, for job security or other reasons, including not wanting to upset their peers, they support banking mythology like it's a matter of life or death.. or.....the others, for whatever reasons, including insufficiently broad reading, or academic shielding from the facts, or just an inability to see through what can accurately be described as probably the world's biggest confidence trick..... are limited to considering peripheral and mainly irrelevant options.

Consequently their proposed solutions may possibly produce some benefits, but such will be trivial without the essentiality of reforming

the debt-finance system, or at least bringing it under democratic political control so that it can be made to work in the interests of mankind rather than in the interests of a small coterie of wealthy shareholders.

Writers wanting to be recognised as competent to make valid contributions in the economic area should assess their depth of knowledge of credit creation, and if it lacks integrity then postpone writing until the deficiency has been rectified. Otherwise one must expect to be written off by real experts as semi-literate.

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Press Cutting

From 'THE NEW AGE' (A.R Orage) 27 May 1920

The appearance of Major C H Douglas's new book, "Economic Democracy", recalls his visit to the Oxford Labour Club in the early part of the term. Readers of THE NEW AGE have for some time past been familiar with his piquant style and heterodox theories, but very little attention has been paid to them. This is a vast pity, because in Major Douglas the Labour movement has a severe critic, who is yet as deeply opposed to the present system as any of our so-called Bolsheviks. If his case is demonstrable it will mean that an entirely new orientation is necessary.

The substance of his book is an exposition of the way that "Anarchism" can be applied economically even to a highly industrialised community like England. Starting out from the basic anarchist propositions - (a) that it is impossible to determine any just distribution of the product of industry on the basis of what each factor or man has contributed, and (b) that lust

for power, in whatever way manifested, is the real enemy - he is as vigorously opposed to the Marxian position that all wealth is created by labour as he is to private ownership of the means of production. He claims that the potential wealth of the world is so great that the quarrel over the existing supply is beyond the point. The Labour movement in its attempt to appropriate a great share of the product for the worker, and to secure control over administration, is merely tilting at windmills. The object of the struggle must be control over policy. Control over policy can only be obtained by gaining control over finance through the means of the banks. Credit is the property of the community, and should be administered by the community. (Note this is not necessarily the State. A State banking system is only jumping out in the fire of the second evil, centralised power.) Therefore the community, instead of collecting taxes, should pay dividends, so that we get the delightful and true anarchistic proposal that the

community should issue credit to the consumer as such! The individual, in short, should draw an income for merely being a citizen.

For how this is to be brought about readers must be referred to the book itself, which is so compact that any précis of the economic theory is impossible in a shorter account. The importance of the book lies firstly in its bearing on the increasing centralisation which is obvious all around us. Financial amalgamations on the one side and triple alliances of trade unions on the other are but manifestations of a tendency to crush out the individual beneath some vast cosmic force - a force which threatens to become stereotyped for centuries in a League of Nations with a lie in its soul. The book is intensely worth study; even the unbeliever will be able to spend many a happy hour trying to detect flaws in the author's reasoning.

C.L.T. - "Oxford Chronicle".

Extract from
Paradigms Lost
And the Myths We Teach Our Children

Mark W McElroy

The author is former school-board chair of Hartland Elementary School in Vermont. He currently serves on the board of the Sustainability Institute, a 'Think/Do Tank' on sustainable economic practices in Hartland.

A sixth-grade social studies book used in many elementary schools in North America offers the following brief history of farming techniques in Latin America:

"They learned to plant corn in the desert. They learned to irrigate, or bring water to their fields, by building dams across their streams. They controlled the flow of water by raising or lowering gates made of reed matting. When these early farmers needed still more water, they built still more canals from the Gila river to their fields 30 miles away. Over a quarter of a million acres were watered by these canals.

In the high Andes, other farmers found ways to work the lands on the sides of mountains. They built step-like fields known as terraces on steep mountain slopes. Stone fences were built to keep the soil from washing away."

Now listen to how the same story is told in the recently published *State of the World 1997*.

"A major threat to the economic well-being of many countries is land degradation - principally through the ploughing of highly erodible land, the salinization of irrigated land, the overgrazing of rangelands and the loss of arable land, rangeland and forests to expanding urban and industrial needs.

Because of population growth and unequal land distribution,

large numbers of small peasants are cultivating highly fragile areas, such as steep hillsides and patches cleared out of rainforests, that are easily susceptible to erosion and the soils of which are quickly exhausted.

Harvard biologist Edward O Wilson calculates that the rich fabric of life that makes up the earth's ecosystems is now being ripped up at the rate of 30,000 species a year. Tropical rainforests and other natural ecosystems are being extinguished wholesale by expanding agriculture and human settlements and by water diversions and pollution."

The differences between these two accounts of the same story are striking. While the textbook does a superb job of describing the evolution of ingenious farming methods in Latin America, it completely fails to associate them with a serious environmental problem of global proportions: the present-day mass-extinction of species. Over half of the world's species live in the tropics, but dozens disappear every day as a result of human development in that part of the world. Given the magnitude of the problem, and its disturbing implications, one has to wonder how an issue so critical to the future of life on Earth could be omitted from a textbook in wide use today. Moreover, whether the omission is intentional or merely a careless oversight, could it be symptomatic of a deeper problem that underlies much of mainstream curricula? Is it possible that we are literally shielding

children from the truth about how environmentally destructive human activities have become? And are we, in the process, unwittingly teaching anti-environmental values?

The Power of Myth

That the sixth-grade textbook essentially glorifies farming technologies but fails to link these farming practices with the extinction of species may well be a reflection of our society's tendency to propagate one of its most persuasive myths: that humans are somehow endowed with the right to rule the natural world. In considering the "man was meant to rule" idea and other such myths, Paul Cummins makes the following observation:

"Most people, most teachers and students do not critically examine these myths and their underlying assumptions and guidelines. They are considered givens. The function of schools - all too often - is simply to inculcate these givens. Thus, from elementary school through to graduate schools, while in increasingly complicated presentations, certain basic myths are taught, re-taught, ingrained, solidified, and celebrated."

Cummins evokes the vision of a society methodically and deliberately teaching its youth the prevailing worldview so that they might assimilate, intellectually, into the world in which they were born and will succeed as adults.

But what if it were possible to

demonstrate that the prevailing paradigm in our own culture is self-destructive in practice; that what we teach our children about humanity's place in the world is fundamentally wrong? After all, the mass extinction of species caused by unsustainable human development and expansion cannot be good for any of us in the long run. And yet by continuing to place our educational focus on conventional economics and training for careers in industry, we do nothing but reinforce the very system that wreaks havoc in the world. Perhaps it's time we took a fresh look at the assumptions underlying our curriculum.

More evidence

Let's consider another example, from a text currently used in elementary school geography. In a chapter called *How People Use The Land*, the authors present the following discussion of strip mining:

Much of the coal in North America is found just below the earth's surface. Each year, large quantities are strip-mined. It is quicker, easier, and cheaper than underground mining. But, the land that is left is wrecked

However, most of it could be restored. While the land is being mined, the layers of topsoil, clay and rock should be taken off separately. After mining, these layers should be put back where they were before. Then, the area should be graded back to its original shape. Then, trees and grass could be replanted. However, it might take 20 to 40 years or even longer to completely restore the land to what it was before.

This passage suffers from a bad case of cognitive dissonance. To its credit, it accurately points out that strip mining wrecks the land. But just

when common sense would therefore condemn the practice, the authors go on to assert that all we have to do is put it back together again and all will be well.

The unspoken endorsement of strip mining as an environmentally acceptable practice is dubious at best. Mining has long been recognized as one of the most environmentally destructive forms of human economic activity. The 1995 edition of *State of the World* put it this way:

Of all the economic activities in the world's mountains, nothing rivals the destructive power of mining. Environmental impacts include habitat destruction, increased erosion, air pollution, acid drainage and metal contamination of water bodies....

And today's strip mines do not just stop at the surface. In describing the damage done by an open-pit copper and gold mine in Papua New Guinea, the same report states that "By the time the mine closes, the 2,330-meter mountain will have been virtually levelled." Would we really have our children believe that this kind of damage can be reversed? Exactly how does one restore a 2,330-meter mountain?

This leads to the second problem in this textbook discussion: its claim that the replacement of soils and other surface and subsurface materials can actually "restore the land to what it was before." Assuming "the land" includes the ecosystem on and around it, even amateur ecologists know that this can never happen. A series of well-known studies carried out in the early 1990s, in which attempts were made to reconstruct ecosystems, both in the wild and in computer simulations, confirmed this to be true. Researcher Stuart Pimm of the University of Tennessee dubbed the inability to reconstruct ecosystems as the *Humpty*

Dumpty effect. Putting an ecosystem back together again requires not just knowledge of which species occupied the former system, but also an understanding of the historical sequence and timing of the entry of species into the system and how they interacted with one another. Even Pimm's computer simulations yielded different results when repeatedly presented with the same set of assumptions.

One last ubiquitous example: could there possibly be anyone alive today who was not exposed during grade school years to those natural resource maps showing the precise location and economic value of forests and minerals in faraway lands? Teaching children to view the world in terms of its resource extraction value provides lasting evidence that our school systems were born of, and still serve, the industrial complex.

We encourage and expect children to think independently, and we hope that they will reach adulthood with a respect for the natural world. But by the time they're old enough to make their own decisions, their minds have already been made up for them, thanks to our curricula. The paradigm we teach is, not surprisingly, the paradigm we get in the long run.

.....the prevailing paradigm in our own culture is self-destructive in practice; that what we teach our children about humanity's place in the world is fundamentally wrong? After all, the mass extinction of species caused by unsustainable human development and expansion cannot be good for any of us in the long run. And yet by continuing to place our educational focus on conventional economics and training for careers in industry, we do nothing but reinforce the very system that wreaks havoc in the world.

Plenty

Margaret Chesworth

*How compelling it can be,
The frugal life, precariously balanced
On a loaf of bread, a handful of
olives,
Punctuated by small seasonal
bounties
And clasped each night
In the arms of providence. Those
peasants
In the Greek village where we lived
Would give you the shirt off their
backs
For richer food, a good story,
Well crusted with the vagaries of
fortune
And sprinkled with the sharp seed of
intrigue.
Sometimes they would dig for gold
The Romans left, or discuss the
wisdom
Of the God Dionysos, who lived in a
cave
Lit by the waves.*

Poverty sat

*On their shoulders, familiar hawk
Waiting for a strike.*

Yet they breathed

*Again the bliss of each warm evening,
Always confident the sun,
Their benefactor,
Would come hurtling over the hill
Tomorrow.*

I wish I were one of them,

*Walking, in mended sandals,
The path to the sea
Beside the glowing vines,
Further unsolicited gift
Of the sun: unaware
That beyond the horizon,
Known frontier of content
Lies the appalling continent
Of plenty.*

From 'Living Green' Spring 2000

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author

The Case for Economic Democracy

Philip Clarkson Webb

**The following passage is taken
from the May 2002 Prayer Guide
for the Care of Creation prepared
for Christian Ecology Link (see
www.christian-ecology.org.uk)**

Pigs love to root in fields and wallow in mud. When denied this freedom in factory farms, they start gnawing their cages and biting each others' tails and ears. Operators of pig factories respond by chopping off the tails of piglets and removing eight teeth with wire-cutters. "Human society," writes Vandana Shiva, "is being caged and controlled through violent economic and political structures, their spaces enclosed through privatisation, liberalisation and globalisation. Could the violence being unleashed by humans against humans be similar to the violence that animals express when denied their freedom to roll in the mud and roam outside? Could the coercive imposition of a consumer culture worldwide, with its concomitant destruction of values, cultural diversity, livelihoods and the environment be the invisible cages against which people are rebelling? Could the lasting solution to violence for humans be the same as for animals – to give them back their space for spiritual, ecological, psychological and economic freedom?"

In his first book *Economic Democracy*, published in 1919, Douglas set out the basis of an alternative to the debt-based, wage-slave political economy based on denial of basic human freedoms.

Of Slavery and Freedom

That state is a state of Slavery in which a man does what he likes to do in his spare time and in his working time that which is required of him. This state can only exist when what a man likes to do is to please himself.

That state is a state of Freedom in which a man does what he likes to do in his working time and in his spare time that which is required of him. This state can only exist when what a man likes to do is to please God.

Eric Gill *A Holy Tradition of Working*

Conscious sovereignty

C. H. Douglas

**Extract from 'The Tragedy of
Human Effort' (first published
1936)**

Question: Is it not true that in totalitarian states, such as Germany, experts have been told to produce results?

It is not the people who have specified the results that they want, said Major Douglas, but the dictator; and the assumption of dictatorship is that the dictator knows what is good for the people. As a theory of government this is similar to the idea that you must have strict supervision to see that the girls in a chocolate shop do not eat the chocolates, whereas, as everyone knows, it is quite unnecessary, because after the first orgy which makes them sick, they tend not to eat chocolates. There is too much attention paid to the material aspects of these matters. What is important is that we should become conscious of our sovereignty - that we should associate consciously, understanding the purpose of our association, and refusing to accept results which are alien to the purpose of our association. We must learn to control our actions consciously, and not act at the behest of some external control of which we are not conscious. That is exploitation, and is similar to the behaviour of an insane man led to the edge of a precipice because he has no control over his own actions.

Pilfering the community's credit

A further piece from 'Electronz'

A fundamental conclusion of the New Zealand Royal Monetary Commission's investigation of credit and banking was that the payment of money into a customer's bank account, firstly created a liability for the bank in favour of that customer to repay that amount when called on to do so, and this would show in the bank's records as a specific sum less any charges.

Secondly, whether the deposit was by cash or other transfer method, nothing would be retained intact in the depositor's name. The only item remaining would be the recorded bank liability in favour of the customer. This led the Commission to conclude that, as it is neither legal nor practical to lend liabilities, then a bank cannot claim to be lending deposits, but it must instead be creating new credit and lending that.

Statistical evidence showing a direct relationship between bank lending and increases in money supply (M1) corroborated this conclusion and should have ended any further debate. Especially when a joint submission to the Commission from the Reserve Bank and Treasury conceded that in the process of banks 'extending loans' new credit comes into existence, and when spent creates new deposits.

The Commission also agreed with monetary reformers that the Reserve Bank could finance government activities in the future as it had sometimes done in New Zealand in the past; but it was for the state to decide whether such was in the national interest and to what extent.

However, these conclusions left the trading banks feeling uncomfortable to the point of being almost naked, and by a remarkable coincidence, the press virtually ignored these findings

as being not newsworthy.

Academia follows suit.

By contrast, monetary reformers take the opposite view for several reasons. First, any credit which functions as money becomes an enforceable claim to existing goods and services, naturally produced by the community. What right has the banking system, to create out of nothing, claims on what is really community-created wealth? If the trading banks do not lend deposits, then why does the government indirectly borrow money from the private banks instead of using its own Reserve Bank? The answers explain why the banking fraternity are so anxious to maintain the deposit-lending myth, because that perception makes it plausible for the state to borrow from the trading banks.

But there are more significant implications. The present arrangement means that around 97% of the country's money supply is on hire from the trading banks, and helps explain why the foreign banks operating in New Zealand were able to take out as dividends, from a population of less than 4 million people, the sum of \$1.4 billion last year. Recognition by the public that banks create new money rather than lending deposits would also encourage bright people in the community to put pressure on the government to build up the M1 Monetary Pool with some interest-free credits for a change, reducing the amount of debt the community has to borrow into existence.

Not only would the thought of reduced borrowing cause hysterics in the finance industry, and relationship stresses with the MPs whose campaigns get underwritten by the

corporates, but there is the ultimate heresy.

The next logical step, after the state rediscovered that it could top up the M1 Pool with substantial community savings, judicious creation of credit as a public service, rather than boosting the Public Debt, would have even greater effect.

Currently, according to Dr Finlay Thompson, new trading bank lending is expanding the New Zealand M1 Pool by a further \$14 million per day and because of expanding production and GNP this is not causing our inflation to exceed the OECD average.

If some of the need for extra M1 were met by the Reserve Bank, rather than trading banks at commercial interest rates, then there would obviously be savings. In addition, if instead of the extra M1 being loaned into existence....if it were created interest-free and direct-credited into the Consolidated Fund, then the potential to substantially reduce taxation while expanding state spending could be achieved. This is similar in principle to the James Robertson proposals which the UK House of Lords is going to have to consider in the near future.

But none of these options are available while the public is conned into believing the deposit-lending myth, and banks are allowed to continue creating and converting to their own use what is unarguably the community's own credit.

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What right has the banking system, to create out of nothing, claims on what is really community-created wealth?

Accountants Come to the Farm

From: Cramp - A Yeoman Farmer's Son

This extract refers to the period from 1926 on, and illustrates how recently farming has changed from producing food to producing money

The manual labour I gave on the farm was good relaxation. But my best contribution to farm life after the age of sixteen was probably in the writing of business letters and, as farming became more sophisticated, in keeping records, completing Department of Agriculture returns, and preparing details for that newcomer to the farming scene, the Accountant. Father accepted new business methods with reluctance and was difficult to help. The following is typical of a conversation with Father, as I tried to bring some order into his book-keeping:

“How much did you send the haystack for?”

“Well, I only sold half really”.

“To whom?”

“To the merchant, but he offset part of it against the clover seed I bought”.

“Did you sow the seed?”

“No! In the finish I sold it to Mr Watts”.

“For how much?”

“He hasn't paid yet. You see, I use his bull for my cows now and we settle up every year or so”.

“What happened to the other half of the haystack?”

“It's sort of offset. I let Robert (son) have it. He's going to help me at hay time. I'm also going to put fifty ewes in his big field rent-free, but we are going to share the wool and the lambs”.

And so it went on, rather like a game of chess with move and counter-move. Every time it seemed that one had

come to the end of a transaction, there arose from it another deal, a “contra”, an “offset”, a shared something or other, a loan of men or machines or horses. Father was always reluctant to measure his deals, his assets, his profits and losses, in hard cash. He would, for instance, reluctantly agree that bullocks bought in the spring and grazed through to autumn and sold fat, had done “pretty fair”. But since the money was quickly rolled over and used to buy lamb-hogs for wintering, he refused to think in terms of profit on the bullocks. He preferred always, as he put it, “to count the number of legs and divide by four”, meaning to think of his assets in growing numbers of cattle, sheep, cows and pigs, and in extra grazing land he had rented in addition to the main farm. As he again put it, he was more interested in “woolly backs” than “greenbacks” (pound notes), and in making sure he could carry on his way of life to the

Book reviews

Globalisation for the Common Good

Kamran Mofid

Shepherd-Walwyn (2002)

ISBN 0 85683 195 6 pbk £12.95

Veblen and Modern America

Michael Spindler

Pluto Press (2002)

ISBN 0 7453 0959 3 pbk £14.99

ISBN 0 7453 0960 7 hbk £45.00

Throughout the twentieth century economics-as-we-know-it has been taught in universities as if Rational Economic Man was the sole actor on the global stage. This year two books remind us of the rich heritage of alternatives to the “if a thing is worth doing it is worth being paid to do it, and where's the money to come

from?” philosophy. Economist Kamran Mofid provides a useful introduction to the social, ethical, ecological, political and religious dimensions of his discipline.

Classical economics started out as an examination of the new industrial economy and its social, moral and ethical relationships. However, after the 1870s the ‘neoclassicals’ turned economics into a ‘science’, to be interpreted through using mathematical models which exclude values other than those measured in money. The author outlines the grave global ecological and social problems which scientific economics simply cannot address. Referring to much valuable work in economics and other disciplines, Mofid sets out the case for a new economics based on harmony, co-operation and the common good. Unfortunately, he recommends study of Henry George's *Progress and Poverty* as a starting point. My view of George accords with that of Karl Marx, when he wrote: “In point of theory, the man is a back number”. However, we all have to start somewhere, and Mofid has produced a constructive and thought-provoking publication.

Michael Spindler directs our attention to a key figure in early twentieth century American intellectual history. Thorstein Veblen originally coined the term ‘neoclassical economics’, and was its first (and last?) most coherent critic. Arguing for the continued relevance of Veblen's work, Spindler provides a valuable review of the writing of a great scholar, setting it within its social and intellectual context. Reviewing Veblen's early work, Spindler notes Veblen's observations on work. With industrialisation, work on the land and in factories has been degraded from ‘vocation’ to irksome toil for money reward. Happiness under capitalism is “impossible” because the key notions of happiness and

freedom have been “reconfigured and perpetuated as happiness *away from* productive labour, rather than happiness *in* productive labour, as freedom *from* work rather than freedom *in* work”. Veblen’s radical critique of emerging global culture, fostered by elimination of competition by the giant corporations is reviewed in the context of early twenty-first century problems of cultural alienation, political disempowerment and environmental degradation.

A timely reminder of the timelessness and continuing readability of Veblen’s thought, this work of serious scholarship deserves to be widely read as an introduction to reading Veblen’s original texts. One quibble would be that little inkling of the flair and humour of Veblen’s writing comes across in this book. Since most of Veblen’s books have been reprinted (dates not given by Spindler) and are readily available, unlike the work of many other excellent twentieth century writers, it is not too difficult to pick them up as enjoyable holiday reading. Douglas certainly had read at least some of Veblen’s work. Since the two writers had a great deal in common, readers sympathetic to social credit will find Spindler’s book and the original Veblen texts both readable and instructive.

Frances Hutchinson

Unholy Wars: Afghanistan, America and International Terrorism

John K Cooley

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John Cooley writes in an informal, enjoyable style yet uses academic and historical sources as well as in-depth interviews and on-the-spot

experiences from throughout the Middle East and South Asia. His story, with its two themes woven coherently throughout, swirls around a huge array of journalistic contacts and off-the-record briefings. He tells the story of the Afghan wars in a marvellously gripping way whilst linking up the main events in the Afghan region with related (causal) events in the USA, Egypt, Pakistan and other countries.

Cooley’s first theme is that the holy wars are unholy. In other words the Islamist viewpoint, which he says tends to be anti-Western, non-secular and fundamentalist, goes against the core spiritual meaning of most world religions. Cooley focuses on how and why the “unholy” wars have been run - for and against the Soviet Union; for and against a capitalist Afghanistan; for and against the Taliban. He gives little insight into the meaning of all this for Muslims or for right-wing Christians of the USA. However he portrays the public and private scenes of the wars using a bird’s eye view alternately with the fly-on-the-wall perspective of an actively listening participant. The story amazes me and the detail confirms several sub-themes. I list these sub-themes here:

- 1) The USA’s CIA trained the fighters who eventually defeated the Soviet Union in Afghan territory.
- 2) The CIA actively encourages the sale of drugs out of regions like Afghanistan even while the US Government’s Drug Enforcement Administration is spending money on closing down the illicit drug industry.
- 3) The drug earnings are recycled back to the USA and its allies where they are used to buy arms for the USA’s secret allies, such as mercenaries in civil and international conflicts.

- 4) Battles and insurgencies in Egypt, Israel, Algeria, Iraq, Pakistan, Afghanistan, Chechnya and elsewhere have all had covert CIA guidance and training as well as funding for arms.
- 5) Saudi-Arabia’s role was heavily anti-communist during the 1979-1989 Afghanistan war. Although the Soviet Union lost this war, the Saudi royal family has also paid a price in the form of ostracism and suspicion of their US-friendly approach to international relations. Thus,
- 6) An Islamist anti-Western coalition has developed on firmly anti-CIA foundations. This coalition creates instability within Pakistan and the Middle East.

In sum, Cooley argues that the covert US CIA and its allies such as Pakistan’s secret service have made their own bed - and have to lie in it. The reader can easily make the links that explain events in 2001 both with regard to the World Trade Centre and the rapid rallying-round of the Pakistan government to the USA’s call for a coalition. Cooley argues that the Bush administration is extremely naive in thinking it can attack the “axis of evil” successfully. On the contrary, the US Government continually perpetuates the forces (secret services; mafiosos; druglords; warlords; insurgents and anti-Western Islamic thinking) that it nominally or militarily opposes.

The second main theme of Cooley’s story is the gradual privatisation of the forces of war. The secret budget of the CIA and other undercover US operations has been used, along with Saudi money, to finance private contractors who manufacture, transport and sell drugs and arms and the raw materials for these two huge industries. Cooley provides explicit estimates of the size of each industry.

He sets out (with dates and currencies specified) the profit margin on cross-border trade in drugs (chapter 7) and weapons (chapter 8). With his interviewing expertise, long residence in the region, and the linking of historical with personalised narratives, Cooley writes a story that I could hardly put down.

If one was pushed for a critique of Cooley's book, I suppose I would say it is macho and unsympathetic to Islam. Like many westerners Cooley criticises the Taliban's suppression of women. However he has no knowledge of feminist or ecofeminist agendas for participatory governance and decentralised control of the economy. His narrative on patriarchal Islam therefore suggests that if only Muslim women had the same rights (especially to employment) as men, then everything would be all right. He is unconscious of the fact that every character in his narrative (except certain journalist observers) is male. This androcentric (men-centred) approach focuses on greed and sadism and ignores the kindness, generous hospitality, loving and/or beautiful traits of the peoples he describes. It is not his fault but this narrative perpetuates awful stereotypes of Islamic cultures.

The main lesson I learned from Cooley is that Islam in all its variants has tended to be pragmatically pro-capitalist and valiantly anti-atheist. There is no particular anti-drug-addiction theme in Islam (except in Khomeini's Iran where the illicit drug industry was actively discouraged). There is no Islamic rule against profits (the anti-usury rule being quite separate). The book by Cooley serves well the needs of political economists studying the South Asian region as well as those of us who want to know about the political splits and alliances within "Islam". In my view seeing "Islam" in a pluralist light is the first step toward ending

the current war.

Wendy Olsen

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.

Letters to the editor

Dear Editor,

Many thanks for these wonderful articles. I stand in awe of your ability to pack so many important insights/information into such a limited space. Truly an outstanding achievement. I was born in Germany and lived there until I was 21 years old. Then moved to Britain and studied, lived and worked there for 20 more years. 10 years ago I moved to Canada. I was 50 years old before coming across Social Credit ideas presented by two very capable contributors to the AOL opinion boards. What an eye opener, and how right you are about the brain-washing facilitating/ensuring a conspiracy of silence on this central subject matter.

All my adult life I have been involved in political thought and action, and yet this big thing had escaped my conscious knowledge. Two lifetimes actually, because my father also had been chewing on the edges of these issues, yet neither of us ever got the clear understanding about the/this way the world is run/ruled/controlled. So I do thank you very sincerely for your efforts. Now to something I believe will be essential for spreading this truthful message more widely. You/we need to contact environmental organizations and their many activists to inform them of where our economic system based on (undemocratic) credit

creation through interest bearing loans is going so very wrong. Besides working in political parties I have also always taken part in actions to protect the natural environment. Environmentalists/'Greens' know that the system stinks, however, they just do not know quite where the 'stink' comes from. They understand that we can't go on working/ producing/ consuming the way we do now, and many may even suspect that the 'love of money' lies at the root of the problem, but I have never met anyone with the necessary insights into Social Credit ideas to see the real underlying dysfunction of the present money/credit system.

My belief is, that the kind of information you can impart will resonate very well with all kinds of social activists, however, for environmentalists it will be like discovering the (un)holy grail. It is the ultimate eye-opener, the key log, with it all becomes apparent, without it we're wasting our time and only getting bloody heads from banging them into the wrong wall.

Again I thank you for your wonderful work, and I fervently hope you can find ways to include my suggestion in your future actions.

Sincerely,
Ekkehard Irion

Dear Editor,

It was very enlightening to read your reprint of Geoffrey Dobbs "Introduction" [to 'Economic Democracy' -fifth edition] in June's TSC, and I'd like to take this opportunity to thank you for including it. I have the first edition of "Economic Democracy", purchased used several years ago, and Mr. Dobbs' "Introduction" has been of great assistance to me in finally clarifying some uncertain points in that text. Ones I'd long suspected were similar to his explanations, but

was always a little unsure. My previous interpretation, gleaned from reading Major Douglas' later works, was that in "*Natural resources are common property, and the means for their exploitation should also be common property.*", that the '*means for their exploitation*' was ultimately the 'money system'. I suppose, in a sense, I wasn't too far off the mark at that. In any case, it was an excellent "Introduction", and I'm glad I finally know what that paragraph really meant.

On another note, I must say I agree with you totally in your "Reply to James Robertson". And especially with your comment 'why' the Robertson/Huber proposals would be acceptable to the 'powers that be'. I, too, believe they would 'change nothing'. It is nice to see TSC being open minded enough to discuss other's proposals fairly, but also consistent in not getting too anxious to follow ones far less complete than those developed by Major Douglas simply because of their more ready 'acceptability'. Enjoy reading TSC greatly, keep up the good work and best wishes.

Yours truly,

Joe Thomson,
Courtenay, British Columbia

Dear Editor,

May I react to your reply to James Robertson (Frances Hutchinson's reply in TSC June 2002 to J. Robertson's letter in TSC March 2002)

You object to J. Robertson's and my proposal of seigniorage reform, as described in our book "Creating New Money", for not representing a revolutionary break with the historically evolved system of monetary and financial institutions, thus allegedly not bringing about real changes.

Implementing seigniorage reform would however induce many and far-reaching changes: fully restored seigniorage to the benefit of the public and the people's purse, worth many billions of pounds, euros, dollars etc. p.a.; phasing-out of the undeserved and unjust extra profit commercial banks now have from creating all of the non-cash money (sight deposits) in public circulation; introducing a completely debt-free money base which certainly would contribute to reduced public and private indebtedness as well as to an improved capital base of firms and households; a money base that cannot vanish or be destroyed by banking operations, thus representing almost absolute monetary stability; improved inflation control as far as lacking control of the quantity of money is to be blamed for inflation; markedly reduced financial overshooting in business cycle peaks and troughs. For the rest, I doubt whether a monetary system as such can bring about what you say you expect from it: durable peace, ecological soundness, human rights, and justice. There is more to those aims than just money.

The advantages listed above would be achieved by a few legal amendments within the frame of existing banking institutions and financial markets. We indeed consider this to be one of the decisive strengths of the proposal of seigniorage reform. Being efficacious would seem to be preferable to merely satisfying revolutionary sentiment.

You finally refer to Douglas' concept of a national or social dividend as though this was an alternative to our proposal. It isn't. Seigniorage reform actually represents one way of how to make a national or social dividend come true – at least, to get it a good bit further.

Sincerely,

Prof Joseph Huber

Martin-Luther-University, Halle an der Saale

'Social Credit? Some Questions Answered'
(Frances Hutchinson 2002) is now available free (purchase price £5) to all TSC subscribers on request.

Dear Editor,

James Robertson's "Human Ecology" has, over the years, made something of an impression upon Social Crediters, but it has always seemed to me that there was a fundamental dichotomy between Robertson and Douglas. I was gratified to have this confirmed by Frances Hutchinson's "Reply to James Robertson".

Douglas turned his thoughts to the Constitutional aspects of Social Credit immediately before and during the war years and then largely through his "From Week to Week" column, so that his published papers, such as "Realistic Constitutionalism" and "The Policy of a Philosophy" are rather sparser than we could wish. However one point is beyond dispute, and that is his insistence that the "Crown" ("State", "Government", "Executive", "Administration" or what you will) must not be allowed access to the National Credit, *save by consent of Parliament*. This "Power to Refuse Supply" was the essential sanction of Parliament. If the State is granted access to the National Credit, as Robertson appears to propose, without having to present Parliament with a *Bill* for the cost of its legislation, it would have unlimited power, as indeed was the case in National Socialist Germany and Communist U.S.S.R. The result of such state power to create, at its mere will and fiat, debt free, non-repayable credit might, superficially, look like Social Credit, but would in fact be "State Credit", and "Social Discredit".

Yours sincerely,
Anthony Cooney

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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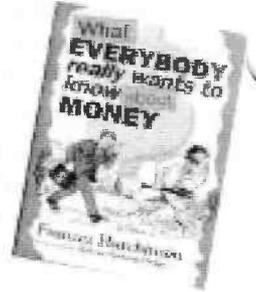
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Recommended Reading

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*

WEBSITE: <http://www.douglassocialcredit.com>

E-Mail ADDRESS: socialcredit@FSBDial.co.uk

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Subscribers are requested to note the address for all business related to KRP Limited and The Social Credit Secretariat is: PO Box 322, Silsden, Keighley, West Yorkshire BD20 0YE. Telephone: (01535) 661510
e-mail: socialcredit@FSBDial.co.uk