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Editorial

"Hell on earth" is how Rudolf Steiner described the miserable, blackened streets of back-to-backs in the industrial city of Leeds in 1923, as he passed through on his way to lecture in Ilkley. At the time, Hetty Smith, a young woman suffering from the effects of childhood malnutrition, lived in those mean, grimy streets. At the outbreak of war in 1914 Hetty's brother was 15 years old, but he lied about his age in order to sign on as a soldier. He sent back his soldier's pay to his widowed mother, so that for a few months, until he was killed in action, his mother and sisters had money to live on. Immediately on the death of her son, the money ceased to come, and his mother had to return to the struggle for survival. In due course, Hetty married her Albert, the National Secretary for the Boot and Shoe Workers' Union. Throughout their lives the couple worked to make the City of Leeds a better place for others to live, through municipal provision of education, welfare and other services. In time they became Lord Mayor and Lady Mayoress of Leeds.

Like many others of their generation, the Smiths followed the conventional working class wisdom of the time. It was right to fight for King and country, to earn one's living and to pay one's way. Through Labour Party politics it seemed possible to ensure that all were provided with a decent standard of living in a community where individuals were treated with respect. However, both Hetty and Albert lived long enough to witness the steep rise in living standards of the post-war working class generation, alongside the destruction of local political control over provision of local services, most particularly the provision of 'education-for-life'. They were dismayed at the sharp decline in commitment to anything but self-interested materialism of the post-war generation.

During the 1920s, many young people who survived World War I set about asking fundamental questions about an industrial economy which could pay people to make all the weapons and supplies necessary for the unprecedented destruction which 20th century warfare entailed, and which could pay young men to fight in the war, yet which could not pay those same people to create a community based on mutual respect, where the arts could flourish and secure and decent living conditions were guaranteed for all.

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How Queen Guzzelinda lost a treasure

Extract from *Asses in Clover* Book II Chapter I

On a spring morning about this time King Goshawk and Queen Guzzelinda were awakened from slumber by the pealing of the alarum bell in the great tower of the royal castle.

'What the hell? cried King Goshawk, sitting up in bed, and touching a bell-push.

A terrified lackey entered and prostrated himself before the presence.

'What's that goldarned row about?' demanded King Goshawk.

'So please your Majesty' said the trembling lackey, 'a blackbird has escaped from the royal aviary, and the garrison has turned out in pursuit.'

'Wal, darn my skin' said Goshawk, 'can't they do it without all that fuss? Tell 'em to stop that tarnation row and get on with the job.'

With that he fell asleep again, and the alarum bell was silenced. Later in the day, descending to the council chamber, he asked the seneschal whether the bird had been found.

'Not yet, your Majesty' replied the seneschal. 'They are still searching for it.'

'Wal, darn my giblets' said Goshawk, 'what's the sense of wasting all that energy over a goldarned bundle of feathers? Tell 'em to let the blamed thing alone.'

'As your Majesty commands' said the seneschal, bowing.

When Queen Guzzelinda heard of this decision of her lord, she was much distressed; for she loved her little birdlings and would not willingly part with one of them. Therefore going into the King's private chamber, she remonstrated with him, saying:

'Say, big boy, what's the big idea? Are your soldiers such a pack of mutts that they can't find my lil bird?'

'Sweetie' replied King Goshawk, 'give it a miss. You gotta billion or two of them feathered squeakers, so one more or less ain't worth bothering about.'

'Ain't it, though' said Guzzelinda. 'Suppose somebody catches the critter, my record's busted, and I ain't gonna stand for it.'

'Aw, quit' said Goshawk.

Seeing that her husband was not in the granting mood, Guzzelinda withdrew to her own apartments, and sent a minion to command the attendance of Mr Slawmy Cander; who, coming in his own good time, after kissing her fingers, said: 'What does your Majesty desire of your humble servant?'

Guzzelinda told him of her trouble, and proceeded: 'Now, big boy, I know you got a pull with the old man, and I want you to use it. I want that bird brought back to the aviary if it costs a million dollars.'

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What's Wrong with Social Credit?

Frances Hutchinson

In 2003 the journal *Capitalism, Nature, Socialism* published a 24-page paper entitled "Social Credit: The eco-socialism of fools" (Wall 2003). The paper carries 97 footnotes and makes reference to over 80 individuals and their work. However, as is evident at a glance from the title, the paper cannot correctly be described as a piece of academic research. Its use of emotive language, interspersed with assumptions stated as fact, together with non-sequiturs, places it in the realm of polemics. In this article I explore the background to the writing and publication of this curiosity. Plainly, Wall and the editor accepting the article for publication had some purpose in mind.

Presumably the target readership for Wall's article is people with an interest in economics who might be tempted to read around the subject of social credit. These fall roughly into three categories: 'social crediters', 'conscientious activists' and 'general critics of globalization'.

Social crediters often have (with notable exceptions) a tendency to struggle to understand where the 'outsider' is coming from. They reject outright economic orthodoxy, alongside communism, capitalism, socialism or any other '–ism' without *necessarily* being familiar with the key authors and texts upon which mainstream theories are based. Social crediters are most effective when they direct conscientious activists to appropriate material written by Douglas, much of which is now available electronically.

Conscientious activists object to the *status quo*, being well-versed in the mainstream politics and economics of globalization. Often approaching their work from a faith perspective, they cut through the illusions of orthodoxy so that they can speak and write from a fully informed standpoint. They may include professional academics, who often write outside the subject area of their salaried work. However, a conscientious activist may be anybody at all capable of reading about politics and economics, with the ability to apply their findings to their socially motivated activism. For them, *The Grip of Death* and *The Political Economy of Social Credit and Guild Socialism* stand alongside Douglas' own work as valuable and much quoted resources, enabling them to make a concrete contribution to an otherwise confused medley of isolated 'good points'.

Meanwhile, the general critics of globalization are so fully occupied with 'facts' about the environmental crises, mounting personal, national and international debt, war, poverty, injustice and just about everything that they have 'no time' to study social credit. They persistently demand a short answer to the question, "What is social credit?", remaining content with an explanation which is "simple, easy to understand – and wrong" (to misquote Ralph Twentymann). For them, Wall's article is excellent: they are the target audience. It gives them a good excuse for not studying the analytical work of Douglas or the history of the social credit movement.

One could let matters rest there, leaving a host of general critics of globalization secure in their conviction that they, at least, are 'doing something' rather than standing idly by as their pet concerns go to rack and ruin. However, the cultivation of the illusion of the positive nature of their unfocused activity serves the purposes of the pedlars of the *status quo* admirably. Throughout the 20th century economics 'experts' have doggedly paraded their expertise, as O'Duffy demonstrates so delightfully in *Asses in Clover*. An 'expert' is often defined as a paid member of staff of a university. Thus, while orthodox economists may have studied Douglas' analysis of the economy, using his work to develop their own research, they have had to studiously avoid making any *positive references to social credit* on the threat of losing tenure.

The early years of the 21st century have seen a dawning realization of the necessity for reform of the relationship between the money system inherited from the past and society at large. It is my firm belief that there is no better starting point for effective reform than the study of the history of the social credit movement. In view of the volume of misleading presentations of the writings of Clifford Hugh Douglas and various social crediters, there is no alternative but for individual readers to ensure that they are fully informed of the historical facts. What was the analysis put forward by Douglas? What actually happened? On the basis of such information, informed activism emerges as a possibility.

A great deal of the essential leg-work on the history of the social credit movement has already been done. In *The Political Economy of Social Credit and Guild Socialism* books by and about Douglas have been analysed, the findings distilled and presented in readable form. From the research it emerges that the social credit movement of the 1930s presented a world-wide challenge to the growing power of centralised finance. Douglas detailed a range of coherent alternatives to the domination of finance over the everyday lives of people across the world, over employment, production, distribution and decisions in all forms of working relationships between human beings. Throughout the 1930s, right up until the outbreak of World War II, there was a fighting chance that a sane social economics based upon Douglas' analysis of the financial system might prevail. For the remaining decades of the 20th century, books and periodicals on social credit continued to circulate among constantly dwindling groups of activists. Meanwhile the subject of social credit, if mentioned at all in university courses, was presented as merely a populist reaction to the Depression years of the 1930s, rendered obsolete by the universal prosperity which followed WWII.

Until the early 1990s, students of economic thought were taught that the only viable alternative to global corporate capitalism was 'socialism' in the form of communist state control of the economy. Hence 'social credit', when occasionally given a brief mention, was presented as a form of 'socialism' which appealed to fascists. Most regrettably, since the early 1990s the history of economic thought has been all but wiped clean out of the curriculum in university social science courses.

Under these circumstances, *The Political Economy of Social Credit and Guild Socialism* was published in 1997, the result of several years of full-time research into the history of social credit, in collaboration with Brian Burkitt. The publishers, Routledge, produced the book as a refereed hardback research text, varying the price between £45 and £65. Although well reviewed, the book failed to reach the activist readership for which it was intended, remaining instead on the shelves of university libraries which have become increasingly inaccessible to the general public. As the publishers adamantly refused to bring out a paperback version, I embarked on the writing of *What Everybody Really Wants to Know About Money*, subsequently published by Jon Carpenter in 1998. The title is a play on the 1933 book edited by G.D.H. Cole entitled *What Everybody Wants to Know About Money*. Cole's book was one of an incredible number of attempts to divert people from social credit and towards the economic orthodoxy which had, in the UK, been adopted by all sectors of the political spectrum. My book sought to explain how it was that finance had come to be a dominant controlling factor in the lives of individuals and society as a whole.

As I embarked on the writing of the Jon Carpenter book, Michael Rowbotham asked me to read an early draft of the *The Grip of Death*. As a student in Bangor he had been introduced to social credit by Geoffrey Dobbs, a colleague of Douglas. For a while we worked together. I introduced Rowbotham to my publisher, and the two books were published in 1998. *The Grip of Death* has been reprinted this year (2007) for the third time, with endorsements by Ed Mayo of New Economics Foundation, Rt. Rev. Peter Selby, Bishop of Worcester, Richard Douthwaite, author of *The Growth Illusion*, and the following:

"An essential self-education tool for anyone interested in creating a world that works, pushing the issues further and posing implications more bluntly than I have seen anywhere else." David C. Korten of *When Corporations Rule the World*.

"**A trenchant analysis** of the current arrangements for credit creation, a powerful indictment of their baleful consequences, and a **persuasive case for reform**." Prof. Bryan Gould, Vice-Chancellor, University of Waikato.

"Michael Rowbotham's forceful discussion is a welcome revival of an issue that has been too long dormant." Prof. Herman Daly, co-author, *For the Common Good*.

"A radical, shocking and eye-opening exposé of how our monetary system really works." *New Internationalist*.

"A work to be cherished ... stands out not only for the quality of the research and the writing, but for the compelling vision that it unfolds." *Economic Reform*.

"Essential reading for social and environmental reformers. It fills a major gap in accepted theory." *The Ecologist*.

In his "Ecosocialism of Fools" article Wall notes that Korten and Daly had endorsed *The Grip of Death*, but fails to clarify why such distinguished authorities should have done so. Instead, Wall presents a muddled medley of confused statements of what he comprehends from his reading around the subject of social credit. Having failed to comprehend Douglas' analysis of the relationship between finance and the processes of production and distribution, he dogmatically states as fact his personal view that Douglas' "analysis is flawed". Why, one wonders, did Wall feel it necessary to present the academic world with his flawed understanding of social credit? Surely the intelligent reader can read Douglas' work if they want to make a reasoned judgement, just as they are free to read the work of Henry George and E.F. Schumacher? In my researches I have found plenty of attacks on Douglas and his work, but so far none on any other 'alternative' economist. Normally, heterodox economists are simply ignored. Wall's article raises a great number of, as yet, unanswered questions.

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'It shall be done, your Majesty' said Mr Slawmy Cander, who cared not a thraneen for the Queen's pretty whims, but knew that the whole financial system would be upset if the people could have anything for nothing.

You must know that when Mr Slawmy Cander had arranged for the issue of credits by which the original purchase of the birds had been effected, he had not been influenced at all by the poetic notions of the Queen, or by the high moral purpose of King Goshawk, since poetry and morality are entirely outside the purview of economics. His hope had been that by the removal of the birds from the fields the numerous maggots and insects on which they feed might increase in numbers, and, by destroying the crops, reduce the abundance of foodstuffs which had so discredited the financial system. Unfortunately his calculations had been upset by the ill-timed activities of certain scientists, who had discovered other means of conquering the pests, and the fertility of nature had continued its embarrassing course, with the results you have seen. But though there was no longer any positive economic advantage in keeping the birds shut up, Mr Cander felt that a dangerous precedent might be created if any of them were let loose. Therefore he issued orders to all the soldiers, officials, and other retainers of King Goshawk that the missing blackbird must be recovered at all costs; enlisting also the services of the Press, the Wireless, the Publicity Firms, and the Churches to make it known to the world how disastrous it was, both morally and socially, that the creature should be abroad.

(see Commentary, page 236)

A Christmas Gift?
Why not treat your friends to a 'good read'? *Asses in Clover* is available from the Social Credit Secretariat (contact details on back page)

Basic Income?

To have to bargain for a living wage in a society which accepts the living wage as a social right is as absurd as to have to haggle for a vote in a society which accepts the vote as a political right.
T.H. Marshall, *Citizenship and Social Class.*

A basic income, at a level sufficient for a modest but decent standard of life, can be seen as a fundamental or democratic right. Such an income is necessary to enable all citizens to participate as fully as they wish in all aspects of the life of their society.
Carole Pateman, (from *Redesigning Distribution.)*

C.H. Douglas: Pioneer of Monetary Reform

Richard C. Cook

C.H. Douglas (1879-1952), a Scottish-born engineer, who worked for a number of American and British companies in the early years of the twentieth century, was the founder of the modern monetary reform movement. My own interest in monetary reform dates from discovering Douglas's ideas through a reprint of A.R. Orage's articles about them in Orage's publication *The New Age* dating from the 1920s. Douglas pointed out that modern industry can readily produce enough goods to meet the needs of everyone in society, but that the reason we sink further into debt, while at the same time we are driven to produce more and more, is because of the nature of industrial production combined with the monopoly on money-creation held by the banking system.

Douglas elaborated that for various reasons having to do with the process of production over time, there is always a gap in monetary terms between the value of what is manufactured and the purchasing power needed to consume it. Regarding the factors which cause this gap, Douglas wrote as follows in a 1932 pamphlet, *The Old and the New Economics*: "Categorically, there are at least the following five causes of a deficiency of purchasing power as compared with collective prices of goods for sale:
1) Money profits collected from the public (interest is profit on an intangible);
2) Savings; i.e., mere abstention from buying;
3) Investment of savings in new works, which create a new cost without fresh purchasing power;
4) Difference of circuit velocity between cost liquidation and price creation which results in charges being carried over into prices from a previous cost accountancy cycle. Practically all plant charges are of this nature, and all payments for material brought in from a previous wage cycle are of the same nature;
5) Deflation; i.e., sale of securities by banks and recall of loans."

Such factors apply in full to the present state of every developed modern economy, including the U.S. and Canada, which uses bank-created debt as the method to fill the gap between production, as denoted by GDP; i.e., prices, and the available purchasing power to consume it, consisting of income from wages, salaries, and dividends.

This was commented on in a communication to the author from a Canadian expert on Social Credit who wrote: "The present system attempts to 'bridge' this widening disparity by the creation and issue of money as bank loans for consumption and/or for superfluous and increasingly destructive (e.g., war goods) capital production. Debt issued in such a manner does not finally liquidate financial cost but, in an inflationary manner, merely transfers such financial costs as an additional charge to be recovered in the prices generated by future cycles of production." (May 17, 2007)
Douglas went on to propose that the production/consumption gap should be filled by distribution of a cash stipend called a National Dividend, which would actually be the proper share of individuals in the bounty of the nation's economy and resources. I believe that Douglas's ideas merge with those of a basic income guaran-

tee as a measure of economic freedom and justice promoted by many economists and advocates today.

It is said that ideas from the 1930s of achieving full employment by government deficit spending, a policy which can only be achieved fully in a wartime economy, were invented to counter Douglas's ideas, which fully supported economic democracy and also provided for the elusive "leisure dividend" we all know should result from modern technology. Instead, this technology in the hands of finance capitalism, backed by the power of the military imperial police state, increasingly lays waste to the resources of the earth while binding a majority of people to ever-increasing debt slavery, unemployment, and ill health due to stress.

Douglas was the first in modern times to show how technology and economic know-how could serve rather than destroy humanity, without recourse to a totalitarian collectivist society. The Social Credit movement that Douglas founded remains a powerful force in the British Commonwealth but is only starting to be known in the U.S.

While I was writing the recent series of articles on monetary reform for *Global Research* and other websites, I had the good luck to be contacted by Social Credit proponents from Canada and New Zealand, who provided me with texts from the writings of Douglas and others. The clearest short description of Social Credit by Douglas himself seemed to be in a speech he gave during the depths of the Great Depression at a meeting in 1935 in Oslo, Norway, which was attended by the King of Norway himself.

With all due respect, Douglas was an educated Briton of his day, and like others of the time, seemed to use twice as many words as necessary to make his point. So I have taken the liberty of condensing the speech while retaining Douglas's own words.

Douglas's ideas are as pertinent today as when they were written, with economic and social conditions becoming as bad in the U.S. and the rest of the world as they were in the 1930s, if not worse—except of course for the rich who control the world's resources, money, military, educational institutions, and media.

Douglas focused mainly on the private sector economy. In my opinion, overall reform must also involve the public sector, which is why much of the program I have outlined in my articles has to do with infrastructure funding and public policy. This approach also reflects my experience from having spent a lifetime working for the federal government, whereas Douglas was employed mainly by private companies.

Douglas's ideas have already changed the world by educating several generations of interested people in the British Commonwealth in how we can have a modern economy that still serves democratic ends. Now we need to take a step further in actually implementing his program, along with other reforms.

MONEY AND THE PRICE SYSTEM
by C.H.Douglas
Condensed version of a speech given at

Oslo on February 14, 1935, to H. M. the King of Norway, H.E. the British Minister, and the president and members of the Oslo Merchants Club.

There is...a good deal of discussion in regard to what we shall call the crisis, matters of unemployment, the economic depression, and other names we give to our present state of affairs...[There is also] a great deal of misunderstanding which surrounds the various proposals made,...for dealing with this crisis arises from an unfamiliarity with the...monetary system....

...We hear, or we did hear in the happy days gone by, that, let us say, Mr. Jones was "making money." Mr. Jones was a bootmaker or a brewer, or something of that kind, or a manufacturer of motor cars....[but] there are only three classes of people in the world who make money, in any literal sense of the word. In Great Britain, for example, there is the Master of His Majesty's Mint, who makes metal coinage....There is the gentleman who sets up a little plant of his own and either makes counterfeit coins or writes very delicately executed signatures on pieces of special paper. He "makes" money, but he gets as a reward fifteen years imprisonment. There is the third who...is much less advertised and much more retiring, and that is the banker, and it is he, in the literal sense of the word, who makes over 90 per cent of the actual money that we use.
The method by which the banker makes money is ingenious, and consists very largely of book-keeping....Every bank loan creates a deposit, the repayment of every bank loan destroys a deposit; the purchase of a security by a bank creates a deposit and the sale of a security by a bank destroys a deposit. There you have...a quite undeniable statement of where money comes from. All but 0.7 of one per cent. (or over 99 per cent), in Great Britain...of the money transactions - without which none of us under modern conditions could exist - are in the form of "bank credit," which is actually manufactured by the banking system and is claimed by the banking system as its own property. That is undeniably because the banking system lends this money (it does not give it), a condition of affairs which will be accepted by anybody as sufficient proof of a claim to ownership.

Over against that, you have the manufacturer of real wealth, by which I mean things which money will buy, clothes, houses, motor cars, the things that go to raise the physical standard of living.... We realize...that the possession of money is a claim upon real wealth: some of us...are still hypnotized into thinking that money is real wealth. I am sure, in an audience of this calibre, it is not necessary to emphasize this: money is not real wealth....

The modern economic production system is not a system of individual production and exchange of production between individuals. It is more and more the synthetic assembly, in a central pool, of wealth consisting of goods and services which are preponderantly due to the use of power, to modern scientific processes, and all sorts of organizations and other constituent contributions of [factors] which will occur to you. The problem is not to exchange the constituent contributions of each one of us to that central pool, because in fact our contribution to that central pool, in the ordinary sense of tangible economic things, is that a small number of persons operating on this machine of industrial "production", can produce all that is required for the use of the population....The problem is to draw from this central pool of wealth by means of what can be visualized as a ticket system. And the modern money system is in fact losing almost daily its aspect of ...a medium of exchange, and becoming more and more a ticket system by which people, who are not exchanging their production, can draw from that central pool of wealth....

...When...money was a medium of exchange and...everyone was...employed in a productive system...the price system was what is called self-liquidating...If I make a pair of shoes and charge Kr.10 for them, the amount which you have given for those shoes has...been distributed; it has come to me as an individual, and I am able to spend that Kr.10 on buying ten kroners' worth of things, say five kroners' worth of leather and five kroners' worth of bread. The fact that the system is self-liquidating, that it will go on working more or less indefinitely is self-evident; and this is the assumption of the classical economists.... ***The whole economic and financial system in its present form stands or falls by the contention that the present price system is self-liquidating,*** that is to say, that no matter what price is charged for an article, there is always sufficient money distributed through the production of that or other articles to buy the article and therefore there is nothing inherent in the system...to prevent the process going on indefinitely.

...This belief is not true...the [present] price system is not self-liquidating. There is..."Poverty amidst Plenty,"...enormous quantities of valuable foodstuffs, production and so forth, for which there is everywhere a great demand and for which there is no purchasing power....
The fact that half the factories are semi-employed and that farms are decreasing their production, that in America the supply of cotton on account of so-called over-production is being restricted, would in itself suggest that there is not sufficient purchasing power to buy the goods which are for sale, at the prices at which they are for sale.

...There is...inductive proof which puts this question beyond any discussion whatever and that is the question of rise of debt. It must...be quite obvious to anybody that, if the world as a whole is consistently getting further and further into debt, it is not...paying its way, and if it is not paying its way it is quite obvious that the price system demands of it more purchasing power than is available. The public is paying all it can, and buying what it can of the total production. The failure to pay more is therefore forcing the destruction of some of it and at the same time it is piling up debt, which means that, to be self-liquidating, the purchasing public ought to pay a great deal more than it is in fact paying.

If I as an individual require, let us say, 10,000 kroners' worth of goods per annum, and, while getting that 10,000 kroners' worth of goods per annum, I get into debt to the extent of 10,000 kroner per annum, then it is quite obvious that the real price which I ought to be paying - in order that the system could go on for ever - is Kr.20,000 for what I am getting for

Kr.10,000 and borrowing Kr.10,000 to pay in addition. If you are running up a debt continuously you are not paying your way. ***The real price that you are being asked to pay for the things you use in your daily life is what you do in fact pay, plus what the system says you ought to pay; and what you ought to pay is the debt.***

In the year 1694 the Bank of England was formed in Great Britain, and…the system that was unfortunately inaugurated at the time of the founding of the Bank of England has probably more to do with the present crisis than any other single factor. In the 17th Century…the world debt… increased 47%....By the end of the 18th century the world debt had increased by 466 per cent., and by the end of the 19th century the world debt, public and private, had increased by 12,000 per cent.…And that is in spite of the numerous repudiations of debt, the writing down of debts which takes place with every bankruptcy, and other methods used to write off debts and start again.

That…is an indisputable proof that the present financial price system is not merely not self-liquidating, but is decreasingly self-liquidating. We also know that in fact, in those times of boom which are referred to by economists as proving that it is self-liquidating, the rate of increase of debt is greater than in times of depression.…Even in times of boom, there is no justification for saying that at any time of the trade cycle, the price system is self-liquidating.

…Of course it might be asked why [the banks resist]…the idea that the price system is not self-liquidating?...The first reason is that, if it is true that there is always extant sufficient purchasing power to buy goods, then it must be true that the poor are poor because the rich are rich, and it follows that the correct method of dealing with the present situation is to tax the rich in order that the money be given to the poor….

So far as Great Britain is concerned - taxation is, I think, twice as heavy as that in any other country in the world - more than half of its taxation is in connection with what are called national debts, war loans and things of that kind. If you investigate the facts as to the ownership of these world debts and war loans you will find them held preponderantly by large financial institutions. You have at once a very good business reason for large quantities of taxation if half of it goes to the service of national loans which are held by large financial institutions. That, as an ordinary business proposition, is obvious. It is still more obvious when you consider that these debts were actually created in the first place by financial institutions, by lending of that money to governments, and the receiving in return of large blocks of national securities which the financial institutions receive for nothing….

You [also] have the fact that there is always a deficit of available purchasing power. This deficit has to be met to a greater or less extent, so that the process may go on, and the making up of the deficit by the creation of loans is, or course, the chief business of the banking system. ***It is the business by which, ultimately, the whole of every country - its industries, its loans, its institutions…must mathematically go into the control of the financial institutions.***

This is so, since they alone have the possibility of meeting these deficits in purchasing power, which sooner or later must occur in every business relationship. ...You have a system which is operating badly and which under present conditions must continue to operate even more badly.

Then...you have an enormous vested interest in possession of the most powerful monopoly that the whole history of the world has ever known - the monopoly of credit. That is, the monopoly of the creation of, and dealing in money - a monopoly against which any other monopoly pales into insignificance - and it is determined to use every weapon to retain this monopoly....

In the modern world it is possible to do without almost any single material thing,...but it is practically impossible for any of us to through twenty-four hours without either money or "credit" which attaches to the belief that we shall have money available sooner or later. The monopoly of the control of the money system is the great over-riding monopoly of the world as it is worked at the present time. And, if you just realize - as you will realize in dealing with this problem - that it is not merely an economic or mathematical side, but is also a side which penetrates into the very highest politics.

...To put it very shortly, the core of the defect in this price and money system under which we operate at the present time is that it cannot, without the help of the banks, liquidate "costs" as they are produced. To put it another way, it is under an inevitable necessity of piling up debt at an increasing rate.

The perfectly simple cure for that situation is to create money at the rate at which debt is created.

And taking the very simple statement...that every loan creates a deposit, it is quite obvious that, if you create money even at the astronomical rate at which debts are being created, you can apply the money so created to the liquidation of the debt, and both money and the debt will go out of existence at the same time. In that way the process will, as it has not for many hundreds of years past, become a self-liquidating process which can be carried on indefinitely.

....This word inflation is one which is always raised by bankers and those whose interests are with bankers, when any question of modification to the system is raised. It is a kind of bogey-bogey, which unfortunately at once frightens everybody...The first thing to realize is the true meaning of inflation.

Inflation is not an increase of purchasing power, it is an increase in the number or amount of money tokens, whether paper or otherwise, accompanied by an increase in price, so that both the money-to-spend side is, in figures, raised and the price side is also, in figures, raised. That is true inflation. It is simply a multiplication of figures without altering the relation between money-to-spend and price, and of course, is a tax on savings.

An increase of money-to-spend is not inflation unless it raises prices. On the other hand, with a given amount of money-to-spend, a given total of money tokens, and a fall in prices there is an increase in purchasing power.

You can get an increase of purchasing power by one of two methods. You can either keep prices constant and raise the quantity of money tokens, assuming that is possible to do so, or you can keep the money tokens constant and lower prices; or, of course, you can do both of them at the same time.

Now, broadly speaking, what we are aiming at in the Social Credit Movement is, in the first place, simply an increase in purchasing power so that the money system shall become self-liquidating.

And, secondly, we are aiming to meet that condition, at which I just hinted at the beginning of my talk, that fewer, and fewer operators are required to tap the machines of industrial production.

....You have to recognize that some of the best brains (scientists and others) have for 180 years or more been endeavouring to put the world out of work - and they have succeeded. Production, industrial production, is in itself a misuse of terms: there is, to be exact, no such thing as production. The law of the conservation of energy and matter prohibits the use of the word production in any exact sense in that connection. What you do is change matter from a form in which it is not useful to human beings into a form in which it is useful, and that transformation always requires power. Until 150 years ago, we provided that power by eating as many meals as we could get and by employing the power of the muscles of our arms. When the first steam engine was made that process became obsolete. The power which is required for this transformation of matter from one form into another is now supplied from the sun more directly and in the form of water power, driving water-turbines, dynamos, motors of workshops, and so on....

In 1921 the American Buick car, with which you are quite familiar in Oslo, I think, took 1,100 man-hours to produce in the Buick works. In 1931, ten years later, a much better car with many great refinements took 90 man-hours to produce....A friend of mine,...an airship builder,...said that if we continue in the same way in Great Britain as we are doing, by 1940 we should have 8,000,000 unemployed. There are said to be 12,000,000 employable people in Great Britain, yet all the goods required could be produced by about 4,000,000 people.

That state of affairs, the result of effort,...is always referred to as an unemployment problem, as if it were a catastrophe! Whether it is a catastrophe or a magnificent achievement depends purely on how we regard it, because so long as people demand of us that we must solve the unemployment problem - while our best brains are, in effect, endeavouring to increase the unemployment problem - it is obvious that we shall get nowhere. From our point of view, the point of view of those who share my views, we say this is a magnificent achievement.

The so-called unemployment problem is really a problem of leisure....The problem really is a problem, first of the distribution of purchasing power to those who are not required, and will decreasingly be required, in the industrial system, and secondly, of ensuring that the total purchasing distributed shall always be enough to pay for the goods and services for sale....

We believe that the most pressing needs of the moment could be met by means of

what we call a National Dividend. This would be provided by the creation of new money - by exactly the same methods as are now used by the banking system to create new money - and its distribution as purchasing power to the whole population
....this is not collection-by-taxation, because...the very rapid and drastic reduction of taxation is vitally important. The distribution by way of dividends of a certain amount of purchasing power, sufficient at any rate to attain a certain standard of self-respect, of health and of decency, is the first desideratum of the situation.

...The issue of a National Dividend would be a recognition of the fact that, if work is not available, [the worker]...has the right to an income sufficient for self respect and subsistence - as by right and not as a "dole."....It is of course, suggested...that if you did that to any considerable extent without taking further steps, there would be a rise in prices....But we propose that a further issue of credit be made for the purpose of lowering prices....
We propose to apply a certain proportion of the total created money to a reduction of prices. The public will thus pay a part of the price out of their own pockets in the ordinary way, and a part of the price will be paid by various means through the creation of national credit. The effect will be a drop in the price level, while at the same time the producer and the business man will not be losing money. They will enjoy the dividends and the increase in trade which comes from the ability to charge lower prices. They will not lose money as they would if they had to lower prices without the aid of the creation of national credit.
In that way we believe that it will be possible at one and the same time to increase purchasing power and to lower prices while preventing anything in the nature of what is called inflation. That covers in principle nearly all that we have to propose....The great difficulty, of course, is that it is extraordinarily hard to bring sufficient pressure to bear upon this world-wide monopoly of credit. ...If it can be done I believe that nobody will lose.
I am not myself, for instance, an advocate of the nationalization of the banks. I believe this again to be one of those misapprehensions so common in regard to these matters, for nationalization of the banks is merely an administrative change: it does not mean a change in policy, and mere administrative change cannot be expected to produce any result whatever in regard to this matter.
A change in monetary policy can be made without interfering with the administration or ownership of a single bank in the world; and if it could be got into the heads of the comparatively few people who control these enormous monetary institutions that would lose nothing but power
- and that they will lose that power anyway - the thing would be achieved.

Richard C. Cook is a retired federal analyst, whose career included service with the US Civil Service Commission, the Food and Drug Administration, the Carter White House, and NASA, followed by twenty-one years with the US Treasury Department.
His articles on monetary reform, economics, and space policy have appeared on *Global Research, Economy in Crisis, Dissident Voice, Atlantic Free Press*, and elsewhere.
He is the author of *Challenger Revealed: An Insider's Account of How the Reagan Administration Caused the Greatest Tragedy of the Space Age*.
His website is at www.richardccook.com.

A People's Politics

Charles Davy/Waterman

A relation of responsibility between government and people means that the Government must be able to explain its policies to the electorate, and the electors must be able to take a critical interest in how the Government is doing its job. Obviously, the more intricate and technical are the Government's duties, the more difficult all this is. Already a great deal of the time in the Commons has to be spent on subjects and clauses which are outside the competence even of most MPs. Bills are passed and regulations made which only a few experts thoroughly understand.

Now it may be replied that this does not matter, for underlying the technicalities are broad issues which anyone of average endowment can grasp. The business of the electorate is to pass judgement on these broad issues and leave the experts to do the working out. Or it may be argued that the electorate can at any rate judge by results. Ordinary people can vote for the party which has done the things they want.

So far as they go these replies are apt. They describe roughly, with some omissions, what ought to happen. But something different is happening today.

Owing to the obsolete machinery of the House of Commons and to the immense variety and complexity of the issues with which it nowadays purports to deal, the power which it is incapable of exercising has been virtually transferred to the Prime Minister and his co-opted group of colleagues in the Cabinet, and by them to the Civil Service acting in conjunction with the powerful outside interests. The result is that under the guise of government of the majority of the people acting through its elected representatives, we have now the dictatorship of one man, or of a small group of men, exercised through a subservient party majority of more or less tied Members and an obedient official hierarchy of unparalleled magnitude. ... The very growth of the government business, and the enormous multiplication of the number of persons directly in the government service, makes it almost inevitable – if every public service is administered by one and the same executive hierarchy – a development of that "Administrative Law" by means of which a bureaucracy entrenches itself against interference.

And on a later page:

It is not the shortcomings of the individual Members ... to whatever political parties they belong, that is bringing the House of Commons into contempt. The plain truth is that no-one, however gifted and however single-minded, could possibly cope simultaneously with such numerous and heterogeneous issues.

The ominous trends have not grown weaker in the passing years. They have grown much stronger and more pervasive. The unceasing spread of delegated legislation, with no limit in sight; the ever-mounting pressure on parliamentary time; the restricted opportunities available to private members – all these are cumulative signs that the machinery of political democracy is creaking under a strain for which it was never built. If the strain gets worse the tendency will be for Parliament to be kept working harder and harder while it counts for less and less. To suppose that the community can, through Parliament, supervise responsibly the operations of a Government engaged in national economic management is the same kind of myth, but on an even larger scale, as to suppose that the shareholders of Imperial Chemical Industries can supervise responsibly the operations of its directors and leading executives. In both cases an oligarchy rules. And when this happens in the political sphere, democracy is headed for decline.

All sorts of stages between democracy and totalitarianism are of course possible; in this country we are passing already through some of them and probably we shall pass through many more before we appreciate how far towards the terminus we have moved. But unless we are to reach the terminus we shall have somewhere to call a halt. If political democracy is to be revived and infused with new life and meaning, we shall have somehow to restrict its operations to fields in which a real participation of the people's will and interest in the affairs of government can occur. We shall have to aim at liberating the spiritual sphere and functionalizing the economic sphere; and so at making the political sphere a place where there is time and opportunity for giving wholehearted attention to those questions of human right and justice and national security which come home to every citizen.

Extract from *The Three Spheres of Society*, 1946

Extract from the

Commentary to *Asses in Clover*

Frances Hutchinson

(cf.pages 222 & 226)

Book II, Chapter I

The economic justification for the original capture of the song birds and wild flowers, representing the non-monetised natural world, is explained. Equally, the methodology used by King Goshawk's economic advisor, the creation of money 'credits' out of nothing, is noted. What is meant by the "issue of credits" would have been well understood at the time of original publication of Asses. On this point, in *Life and Money* O'Duffy refers the reader to Douglas' *The Monopoly of Credit* for a "scientific" explanation of how the money system works. When first published in 1931, *The Monopoly of Credit* carried the following statement on its dust jacket;

"How is it possible for a world which is suffering from overproduction to be in economic distress? Where does money come from? Why should we economise when we are making too many goods? How can an unemployment problem, together with a manufacturing and agricultural organisation which cannot obtain orders, exist side by side with a poverty problem? Must we balance our budget? Why should we be asked to have confidence in our money system, if it works properly?"

... As O'Duffy, following Douglas, indicates, the relationship between the financial system and the real economy is not beyond comprehension. All that is necessary is for people to start to think coherently on the subject. Hence the necessity to

(continued on page 243)

Obituary: Margaret Legum

Margaret Legum died on Thursday morning November 1. One of Margaret's life-enduring passions, for which she dedicated so much of her time, was the creation of a human and culturally appropriate economy. She was a major advocate of social justice in South Africa and had the courage to question the prevailing economic paradigms and their powerful supporters. She had a compelling practical vision of social equity and economic justice for all South Africans.

Margaret Legum was the co-author of the book *South Africa: Crisis for the West*, which was published in 1964 and argued for economic sanctions against South Africa to bring down the apartheid regime. She was a co-editor of the annual *Africa Contemporary Record* founded in 1968 by her late husband, Colin Legum. She and her husband were banned from South Africa in 1962 for advocating economic sanctions against the country. Such economic sanctions were imposed by the country's major Western trading partners nearly 25 years later.

More recently, Margaret co-founded and chaired the board of the South African *New Economics Foundation*. She studied economics at Rhodes University and Cambridge, and lived in Cape Town where she worked as a lecturer and a writer.

In 2002-3 her book *It Doesn't Have to be Like This* was published by Wild Goose Publications. Her talks, articles and books on New Economics were designed to interest people with no expertise in the discipline of economics, but who want to understand economic issues. But there was another reason, more ethical and less intellectual, for Margaret's practical vision of social equity and economic justice for all South Africans. It was this formula for society, and the relationship between cause and effect, as expressed by the Dalai Lama in very simple terms:

If you wish to experience peace, provide peace for another. If you wish to know that you are safe, cause (others) to know that they are safe. If you wish to better understand seemingly incomprehensible things, help another to better understand. If you wish to heal your own sadness or anger, seek to heal the sadness or anger of another. These others are waiting for you now. Most of all they are looking for love.

Margaret's religion was very simple. Her religion was kindness.

Margaret Legum: Open Letter to Peter Hain

Peter Hain is the new British Government's Minister for Work and Pensions, and was originally a South African activist. His first announcement on taking office was the intention to introduce legislation to insist that lone parents get paid work when their children are over 12.

Dear Peter,

I presume on a common political history to comment on to your new Ministerial decision to force lone parents into paid work. This is a global issue; and as a South African I fear its 'tough love' motivation will reinforce our government's anti-welfare approach – justified, like yours, as in the interests of poor people.

I could understand the policy if we were short of workers rather than jobs. If it were war-time or a siege economy, or the aftermath of a disaster, where all hands are needed to restore or maintain an economy. But the reverse is true in virtually every country.

The long-term global reality is that full employment at anything like a decent living wage is a thing of the past in the global market. Digital technology in the competitive market means that although one country may temporarily snatch jobs from others by reducing wage bills, the trend is inevitably to jobless growth as companies reduce labour costs competitively. They have to, otherwise they fail.

Clearly this economy doesn't need the labour of single parents. Meanwhile children already deprived of a second parent, usually in traumatic circumstances, must suffer their remaining parent's preoccupation with obtaining and holding down paid work as well as the existing double quota of unpaid parenting and domestic work.

They must accept the care of unrelated professionals, instead of their parent, and the stress related to conflicting time demands.

Of course everyone would like to work for a living. It can be fulfilling and enjoyable. But no one wants to do miserable work for a pittance at the expense of their children; and lone parents do not deserve the implication that they are lazy and useless if they make a home for their children full-time.

Someone close to me is a single parent who would get a medal, if such were offered, for struggling to find and keep a job that enables her to care for her children. The job she has – badly paid of course - aims to rescue and relieve children who have lost their way for lack of decent parental attention. If you ask her, that battle is already lost before you force parents into paid work.

What exactly is the point of the policy? Surely not the welfare of the children. Where is the evidence that most children do better under professional care than parental? Surely not the needs of the lone parent. They are free to seek work in any case: more choose that option than can find jobs.

You say it is about 'getting them out of poverty'. You could do that simply by raising the level of benefit. Indeed you would be doing the economy a service. With few exceptions, all consumer goods and services are in surplus – while millions do without them for lack of buying power. The world economic problem is not about production but about distribution of income.

The logic and the ethics of the proposal suggest to me this policy is a hangover of the last Conservative era in which 'welfarism' became the bugbear. It ascribed all social and economic ills to the 'dependency' culture that followed from people's entitlement to certain rights regardless of their income or capacity. Rather than admit that the tax implication of those policies irked richer people, it was given a phoney positive philosophic framework, and became an ideology: entrepreneurship and opportunity.

Unfortunately, we in South Africa got our liberation at the height of that ideology. Just when we needed to build human capacity by supporting people through the apartheid legacy, we were told to avoid 'dependency', embrace 'opportunity' and challenge our people to seek work, knowing there is none. It is very cruel. So I am sorry you are setting – as far as I am concerned – a further bad example in saving tax under the pretence of providing opportunity.

Margaret Legum

South African New Economics Foundation (SANE) www.sane.org.za/docs/views/index.htm

Fairy Tale?

In his address to the Anthroposophical Society in 1934, Clifford Hugh Douglas explored the forms of resistance with which his ideas on alternative economic thought had been met:

Another very curious and almost universal form of resistance which is met with by the credit reformers is the general determination to believe that any proposal which offers a radical amelioration in the economic situation must be a fairy tale. Inspired by the bankers and orthodox economists, political spokesmen have been at one in asserting that there is no short cut out of our difficulties. That is what they are paid to say, and it is perhaps not surprising. But what is surprising is the unanimity with which most people accept the statement. We all know Mark Twain's story of the man who was imprisoned for twenty years and then walked out having just discovered that the door had never been locked, and some of us think it is funny. Personally, I do not think it funny. I consider it a somewhat boring statement of fact. The world at large is in prison, and shows many symptoms of dying in prison, and there is nothing whatever to prevent it from walking out.

Warning Democracy, 1934 edition, pages 8-9

It's the Economists, Stupid

One matter the Office of Fair Trading will not be investigating is the extent to which the housebuilder monopoly and housing scarcity are deliberately engineered by the Treasury and the Bank of England to stimulate the UK's parasitic and growth-dependent economy. Free market economists like to see high house prices because these provide collateral for loans which increase consumer spending. This is Eddie George, former Governor of the Bank of England, March 22 2007:

In the environment of global economic weakness at the beginning of this decade, we only had two alternative ways of sustaining demand and keeping the economy moving forward – one was public spending and the other was consumption. We knew that we were having to stimulate consumer spending

Why? Because public spending, on council houses for example, is unaffordable for a government committed to running down agriculture and industry and instead buying all its goods in a globalized economy. Consumer spending power can be created out of thin air, by increasing the value of everyone's house. Here is Larry Elliot in *The Guardian*, 9 July 2007:

Britain is a country where the speculator is king. We consume more than we produce; we import more than we export; we prefer to invest in nonproductive housing rather than in plant and machinery.

. Three parts of Britain's institutional framework lie at the heart of all this. The first is the ability of the commercial banking system to create credit; the second is the tax and planning system that ensures that demand for housing tends to exceed supply ... and the third is the limited liability corporation.

– from *The Land Newsletter* Summer 2007

The Douglas Manual (continued)

compiled by Philip Mairet

Part I (pp 19-21)

The Nature and Origin of Money

Definitions of Credit

Real credit is a correct estimate of the rate, or dynamic capacity, at which a community can deliver goods and services as demanded.
Financial credit is ostensibly a device by which this capacity can be drawn upon. It is, however, actually a measure of the rate at which an organization or individual can deliver money. The money may or may not represent goods and services. (*The Control & Distribution of Production* 10)

Financial credit is simply an estimate of the capacity to pay money – any sort of money which is legal or customary tender; it is not, for instance, an estimate of capital possessed; and its use as a driving-force through the creation of loan-credit is directly consequent on this definition.
The British banking system, since the Banking Act of 1844, has based its operations on the ultimate liability to pay gold, but in actual fact the community, as a whole, has dethroned gold, and bases its acceptance of cheques and bills on its estimate of the bank credit of the individual or corporation issuing the document, and for practical purposes not at all on the likelihood that the bank will meet the document with gold. This bank credit simply consists of certain figures in a ledger combined with the willingness of the bank to manipulate those figures, and at call to convert them into legal tender.
What, then, is likely to induce a bank to increase the credit by the creation of loans, etc., of an applicant for that favour? The answer is contained in the definition: the capacity to pay money; and the credit will be extended absolutely and solely as the officials concerned are satisfied that this condition will be met. (*The Control & Distribution of Production* 52-53)

Centralized financial credit is a technical possibility, but centralized real credit assumes that the desires and aspirations of humanity can be standardized, and ought to be standardized. Since financial credit derives its power from its nexus with real credit (a correct estimate or belief of the individual that something desired will be delivered), centralized financial credit-control will break up this civilization, since no man, or body of men, however elected, can represent the detailed desires of any other man, or body of men. (*Credit Power and Democracy* 57-8)

True Function of Credit in a Modern Economy

There is no doubt whatever that the first step towards dealing with the problem is the recognition of the fact that what is commonly called credit by the banker is administered by him primarily for the purpose of private profit, whereas it is most definitely communal property. In its essence it is the estimated value of the only real capital – it is the estimate of the *potential* capacity under a given set of conditions including plant, etc., of a society to do work. The banking system has been allowed to become the administra-

tor of this credit and its financial derivatives with the result that the creative energy of mankind has been subjected to fetters which have no relation whatever to the real demands of existence....
Now it cannot be too clearly emphasized that real credit is a measure of the reserve of energy belonging to a community and in consequence drafts on this reserve should be accounted for by a financial system which reflects that fact.
(*Economic Democracy* 120-121)

We have already seen that the only possible basis of real credit is a belief, amounting to knowledge, in the correctness of the credit-estimate of a society, with all its resources, to deliver goods and services at a certain rate. If we make this basis our financial basis, then the credit-structure erected on it can only be destroyed by social suicide – by the refusal of the community to function. Now, one of the components of the capacity of a society to deliver goods and services is the existence of an effective demand for those goods and services. It is not the very slightest use, under existing conditions, that there are thousands of most excellent houses vacant in this country, when the cost of living in them totally exceeds the effective financial demand of the individuals who would like to live in them. The houses are there, and the people are there, but the delivery does not take place. *The business of a modern and effective financial system is to issue credit to the consumer, up to the limit of the productive capacity of the producer, so that either the consumer's real demand is satiated, or the producer's capacity is exhausted, whichever happens first.*
(*Credit Power and Democracy* 106-7)

PART II
The Financial System

The Gold Standard

The difficulty in dealing with the subject of the Gold Standard arises largely from the fact that it has never at any time been what it pretends to be. Originally gold itself was supposed to represent the only true and universally accepted claim for goods. Previously to 1914 the gold sovereign circulated freely in Great Britain, and the illusion of a gold currency was fairly successful.. Within two days of the outbreak of war in 1914, however, the available stocks of gold sovereigns had been withdrawn from the banks by depositors who imagined that in this way they were safeguarding their possessions, with a result that it was necessary to declare a moratorium, during the progress of which, Treasury Notes of a face value of £1 and 10s.were printed in large numbers and handed over to the banks for issue to their depositors. The fact that the Gold Standard was a fraudulent standard was demonstrated in twenty-four hours (*The Monopoly of Credit* 50-51)

The theory of the Gold Standard £ is that it represents 113 grains of fine gold, or conversely that gold will always be bought by the Bank of England at 84s. an ounce. Since, e.g. a United States dollar also represents a fixed quantity of gold (about 23 grains) the value of one gold currency in terms of another is assumed to be approximately stable. To prevent the possibility of gold being acquired to any extent by other than financial institutions, the statute by which Great Britain was restored to a gold basis of currency enacted that not less than

a standard gold bar worth about £1,700 would be delivered on demand. In order that the exchange may theoretically indicate the balance of trade, the limits at which a Central Bank must buy or sell gold are laid down. 'Standard' gold (eleven-twelfths fine) has a minimum and maximum price of £3 17s.9d and £3 17s.10 1/2d. respectively. The actual point at which it pays to buy gold for shipment obviously varies with shipment rates, insurance and interest.
(*The Monopoly of Credit* 55-6)

Effects of the Gold Standard
Owing to the immense pyramid of purchasing power erected on a small gold base, exports of gold produce money stringency of a violent character out of all proportion to the amount exported, and bearing no relation either to productive capacity or physical demand.
The result of the reversion to the Gold Standard in Great Britain is a matter of common knowledge, but certain aspects of it can be grasped conveniently from the curves on page 31. (*The Monopoly of Credit* 57)

It has been pointed out, by Mr Arthur Kitson and others, that since this credit structure is based on gold, which bears no conceivable relation in quantity to any human requirement for goods and services, gold production exercises a totally disproportionate effect on the mechanism of prices and credit. But the difficulty goes much deeper than that. Not only does the gold basis of the present financial system shift, but the ratio of the credits erected on it also shifts – sometimes violently. This is, of course, due to the vital fact that *the public even under a gold basis of credit could utterly destroy the whole credit structure by demanding gold in payment of their cheques on the banks*, because the basis of present cash credits is that they are convertible into currency on demand, and there is, of course, not a tithe of the gold necessary to cash them. (*Credit Power and Democracy* 104-105)

Effects of Departure from the Gold Standard
But although the gold basis has gone, the simulacrum of it still lingers in the shape of a credit system based on an unregulated paper currency, with the result that a sort of Druid's dance of credit-issue, rising prices, currency stringency, currency issue, more credit based on more currency, goes on, the only possible redeeming feature of which is to take the whole cycle right away from the fetish of gold. Apart from this one point, everyone suffers except those whose business it is, in the most literal sense of the words, to make money. So much for the conditions brought about by a financial system which attempts to base its credits on the currency, and yet allows its prices to rise with both (Credit Power and Democracy 105-106)

The Gold Exchange Standard
The theory, if theory it may be called, of a gold exchange standard is that if two articles A and B, have prices attached to them in different currencies, those prices will vary inversely as the amount of gold which the currencies in question will buy, varies. That is to say, if the price of gold in English currency is £4 per ounce, the price of gold in American currency is $20 per ounce, and the price of two articles, a and B, in the respective countries is £1 and $5, a rise in the price of gold in Great

Britain to £5 per ounce would mean a fall in the price of article A, if bought by United States currency, by 25 per cent, and a rise in the price of article B, if bought in British currency, by a similar amount. That is the theory, although it is very far from being what actually happens. (*Warning Democracy* 45-46)

The national currency depends for its validity on the fact that, if tendered inside the country of origin, goods will be delivered in exchange for it. Gold, in the post-War world, has been artificially elevated into a super-credit system of a peculiar kind. For the individual, gold is an effective demand for currency of any country at the gold exchange rage. For the banking institution, however, gold is not merely an effective demand for currency at the gold exchange rage, it is an effective demand for international credit to the amount of several times the face value of the gold. (*Warning Democracy* 46)

An ounce of gold in the hands of John Smith is worth only £5, but in the hands of the Bank of England it is probably worth £50 – a situation which obviously cannot fail to keep John Smith where he belongs, from the point of view of the Bank of England.
(*Warning Democracy* 47)

(continued from page 236)

re-capture the escaped bird. Candor is aware that "the whole financial system would be upset if people could have anything for nothing". That is, people must continue to labour under the delusion that working for money is central to human existence.

In the early 21st century, across the world the basic necessities of life, including food, fuel even water are increasingly subject to a financial charge. Meanwhile, the corporate media, advertising firms and even the churches accept the financial status quo as a given – "both morally and socially".

(continued from page 221)

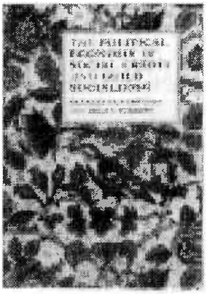
Today's young people face the 'inconvenient truth' of escalating environmental degradation, poverty and warfare, all of which are the direct result of the policies which directed human affairs throughout the 20th century. The choice is stark. We could seek to understand the forces which carried humanity through the last century. Or we could simply allow ourselves to be blown by those forces into the "hell on earth" that the 21st century appears destined to become. There is no alternative.

www.douglassocialcredit.com

Readers! Please note that the email address socialcredit@FSBDial.co.uk is about to disappear. Our new address is ag.socred@btinternet.com

Recommended Reading

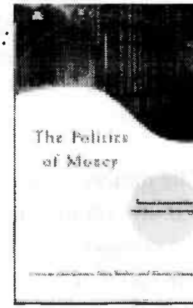
Frances Hutchinson & Brian Burkitt



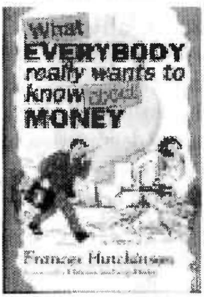
The Political Economy of Social Credit and Guild Socialism
(Jon Carpenter £12.99)

Frances Hutchinson, Mary Mellor & Wendy Olsen

The Politics of Money: Towards Sustainability & Economic Democracy
(Pluto £16.99)



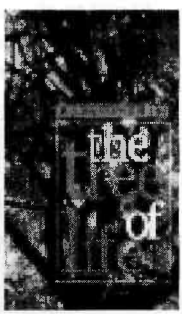
Frances Hutchinson
Social Credit? Some Questions Answered
(KRP £5.00)



Frances Hutchinson
What Everybody really wants to know about Money
(Jon Carpenter £12.00)

Eimar O'Duffy
Asses in Clover
(Jon Carpenter £11.00)

H J Massingham
The Tree of Life
(Jon Carpenter £13.99)



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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) 654230
e-mail:
ag.socred@btinternet.com

Books by C H Douglas
(available in the Social Credit Library)
Economic Democracy
Social Credit
The Monopoly of Credit
Warning Democracy
Credit Power and Democracy
The Control and Distribution of Production

If you wish to comment on an article in this, or the previous issues, or discuss submission of an essay for a future issue of *The Social Crediter*, please contact the Editor, Frances Hutchinson, at the address on the left.
(It would be very helpful if material were submitted either by e-mail or on disk if at all possible).