

The SOCIAL CREDITER

For Economic Democracy

Quarterly Volume 84 No. 4 Winter 2008

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Editorial

When I returned to study and research into economic, social and environmental issues in the late 1980s, after a gap of almost three decades, I was under the impression that I must have missed a great deal of significant thought. Hence I read through volumes of material, including Susan George, *How the Other Half Dies: The Real Reason for World Hunger* (1976) and *A Fate Worse Than Debt: A radical new analysis of the Third World debt crisis* (1988), Rachel Carson *Silent Spring* (1962), Chinua Achebe, *Things Fall Apart*, Wendell Berry, *What are People For?*, Joanna Blythman, *Shopped: The Shocking Power of British Supermarkets*, Terry Boardman, *Mapping the Millennium*, Richard Body, *Agriculture: The Triumph and the Shame*, Douglas Booth, *The Environmental Consequences of Growth*, Barbara Brant, *Whole Life Economics*, Gideon Burrows, *The No-Nonsense Guide to the Arms Trade*, Noam Chomsky, *Understanding Power*, Michel Chossudovsky, *The Globalisation of Poverty*, Andree Collard and Joyce Contrucci, *The Rape of the World*, David Cronwell, *Private Planet*, Herman Daly,

Towards a Steady-State Economy, Herman Daly and John B. Cobb, *For the Common Good*, Richard Douthwaite, *The Growth Illusion*, John Kenneth Galbraith, *The Age of Uncertainty*, *The Affluent Society*, (and many others), Graham Harvey, *The Killing of the Countryside*, Robert L. Heilbroner, *The Making of Economic Society*, Hazel Henderson, *The Politics of the Solar Age*, Colin Hines, *Localisation: A Global Manifesto*, Mae-Wan Ho, *Genetic Engineering: Dream or Nightmare?*, Richard Mabey, *The Common Ground*, H.J. Massingham, *The Wisdom of the Fields*, and *The Tree of Life*, Sean McDonagh, *To Care for the Earth*, Alastair McIntosh, *Soil and Soul*, John McMurtry, *The Cancer Stage of Capitalism*, James E. Meade, *The Stationary Economy*, Donella Meadows et al, *The Limits to Growth*, Susan Meaker-Lowry, *Invested in the Common Good*, Kenneth Mellanby, *Can Britain Feed Itself?*, Carolyn Merchant, *The Death of Nature*, Mary Midgely, *The Myths We Live By*, Maria Mies, *Patriarchy and Accumulation on a World Scale*, Michael Northcott, *An Angel Directs the Storm: Apocalyptic Religion and American Empire*, Gunnar Myrdal, *The Challenge of World Poverty*, Norman Myers, *The Gaia Atlas of Planet Management*, Richard

Norton-Taylor, *Whose Land is it Anyway?*, Paul Omerod, *The Death Of Economics*, David W. Orr, *Earth in Mind*, Winin Pereira and Jeremy Seabrook, *Asking the Earth*, Karl Polanyi, *The Great Transformation*, Clive Pontin, *The Green History of the World*, Arundhat Roy, *The Algebra of Infinite Justice*, E.F. Schumacher, *Small is Beautiful*, Joni Seager, *Earth Follies*, Dorothy and Walter Schwarz, *Breaking Through*, John Seymour and Herbert Giradet, *Blueprint for a Green Planet*, Vandana Shiva, *Staying Alive*, Charlene Spretnak, *The Spiritual Dimensions of Green Politics*, E.P. Thompson, *Customs in Common*, Mathis Wackernagel and William Rees, *Our Ecological Footprint*, Barbara Ward, *Progress for a Small Planet*, and Ellen Meiksins Wood, *The Origins of Capitalism*.

These are all substantial works which have been reviewed in quality journals, most of them during the 1990s. They form the tip of the iceberg of works being produced in the late 20th century by a 'writership' and for a readership seriously concerned at the headlong rush of humanity towards, social, military or ecological disaster. Each of these works – and there are many, many more than those cited above – have involved great sacrifices on the part of the authors, as every writer will know. They have not been written to make money for the authors, nor to further a career in business, academia or the mass media. More often than not, the writers have found doors closed against them, or that at best they have been shunted into a backwater. They express dissatisfaction with the glowing illusion of materialism, with its quick fixes based on sham solutions to fundamental problems. The target readership is people who desire the challenge of good work, with time to be with their children, the natural world and above all themselves as human beings. The alternative is ugliness, emptiness, uncertainty and a sense of powerlessness in the economic, political and cultural spheres of life.

On the whole, the works cited above lack an analysis of the root causes of the problems,

despite the fact that such analysis has been available since the first three decades of 20th century. For example, the early works of Douglas, published between 1918 and 1925, were written well before the Wall Street Crash, the fall of the Labour Government in 1931, the depression years of the 1930s, the rise of Hitler as German dictator, the election of a social credit government in Alberta and World War II. Through his meticulous analysis of the interactions between the institutions of finance and the practical realities of production, distribution and exchange, Douglas was able to predict the likely outcomes of policy decisions in the economic sphere with unerring accuracy. Furthermore, Douglas indicated the likely impact of specific economic policies on the political and cultural spheres.

It was a time of optimism, when it seemed possible that each and every individual might, as a member of a particular community, take an intelligent interest in the determination of economic policy. In an address given to the students at Ruskin College, Oxford, in June 1920, Douglas captured this mood, observing that the individual, in free association with others in community, is rightly the determinant of policy. Since "the plant of civilization belongs to the community", no individual or group should be in a position to control policy in their own interests. The free association of individuals cannot be over-ruled by individual profiteers, the 'workers' or a centralized bureaucratic state. For Douglas, "the only possible method by which the highest civilization can be reached is to make it impossible for either the State or any other body to apply economic pressure to any individual."

This philosophy was diametrically opposed to any form of authoritarian dictatorship or bureaucratic central planning. In the text quoted above Douglas was speaking to an Oxford college at the heart of the new thinking. Industrialisation had emerged through the ruthless individualistic capitalist exploitation of the workers and the land, culminating in world (continued on page 330)

Major Douglas in Sydney 1934

The Sydney Stadium was the scene of a unique and memorable meeting on the night of 25 January, when Major C. H. Douglas addressed a great concourse of 12,000 enthusiastic citizens and probably a million more through the Broadcast over the length and breadth of Australia.

Major Douglas proved himself to be a most effective platform speaker with a complete mastery of his subject, lucid, convincing and dignified. Added to his knowledge and his gift of speech he has a delightful resonant voice and great charm of manner.

He was graciously and effectively introduced by Mr. S. F. Allen, and when he appeared on the platform accompanied by Mrs. Douglas (bearing a huge basket of flowers, the gift of the Association), he received a tremendous ovation from the audience.

In speaking to the hundreds of thousands of Australians that I can see, and that I cannot see, I come to speak to you as one of a great and growing band of brothers, a band growing with terrible rapidity. (Applause) I do not omit from that band our sisters because we recognize that when our sisters want something they generally get it and, therefore, we do not make the mistake of underrating their importance.

Now, in any matter which has to do with great policies, and we must realize that we are dealing in this matter with perhaps the greatest matter of policy which has affected the world in, at any rate, the past 500 years, there are two aspects to the matter which are important. First of all, you have to be sure that what you propose to do is right and sound, but that is not all, because in these matters you must realize that right and might have to be brought into line. Because of the importance of this, I want to devote a short time in telling you something about the band to which I belong and to convey, as I think Dr. Streeter said, the good wishes of these other helpers all over the world.

As I said at lunch today, this is not an Australian question; it is not even a British question – it is a world question. The financial system is essentially the same all

over the world. We imagine that we live under national conditions, national laws, national customs, and matters of that sort. That may be true in regard to most things, but it is not true in regard to those things without which we cannot live at all – I mean bed, board and clothes. These are governed substantially by the same system over the world, and it is that system, that international system of finance, which we are here tonight to challenge. (Hear, hear)

Now, let me take you very rapidly over some of the ground covered by those who are fighting the old ideas. As you would imagine, many are poor, some are not so poor; we do not worry about that. We do not make the elementary mistake of assuming that all rich men are knaves, or even that all poor men are wise. I am myself rather of the opinion that there is a little more intelligence and a great deal more courage amongst the poor than there is amongst the rich – (Cheers) – that is partly because there are certainly more poor. (Laughter) You cannot generalize in these matters. I once knew a very intelligent banker – it was some time ago and he is now dead. (Laughter)

But let me take you to some of those groups of Social Crediters all over the world, as I am privileged to move about

amongst them. In London, we realise that as things are at the present time these changes must be brought about constitutionally. Now, bringing changes about constitutionally means getting the big battalions on your side, and we have in Great Britain famous regular staff officers; we have permeated most of the great services of the Crown; we have on our Council in London officials of the greatest Federation of employers in the British Empire; we have on the same Council, helping us – and one of the most valued members of our council – a man who five years ago did not know where his next meal was coming from, but he is now Editor of a very successful little Social Credit paper. I can say this - that there is no section of British society which is not represented, from the House of Lords to the poorhouse in the Social Credit movement in Great Britain. (Applause)

We have an army at the moment, when I last heard it numbered 6000 men in uniform – the Green Shirts, and I'm very proud to say that every one of those Green Shirts carries a little piece of Douglas tartan on his shoulder. The Green Shirts are not the Social Credit Movement; they only deal with one particular section of the population, and that is the section which is commonly called the Unemployed – we might more correctly term them the Unemployed. Every one of these 6000 probably has at least 20 adherents who are not in uniform, and the number is growing daily.

Just before I left for Australia I attended a meeting at the House of Commons. I have attended a good many meetings of the House of Commons. I always judge the

progress which has been made in these circles by the sort of meal they give me at the House of Commons. When I went there previously I got a cup of cold tea and a stale scone; the last time they gave me a very good five- course dinner, and a very good whiskey and soda. So you see we are getting on even in these sorts of places. (Laughter)

I could take you to interesting groups in the North; there is one in every great city of Great Britain, sometimes three or four. In the North of Scotland, where landowners, professors of the universities, and many others are members, a very important man is a tailor, and he is the life of that particular group.

But let us go across to Paris. In that city there are two main groups, because the French are becoming very vitally interested in this matter. One of them is headed by a famous Belgian engineer; the others consisted of French army officers, Russian refugees, French journalists and at least one Mayor of a suburb of Paris. There are also some who had formerly belonged to the Communist Party.

There is a group in Norway; there is a group in Switzerland; there are dozens of groups in Ireland. Before I left I spoke in the largest hall in Ireland, the Ulster Hall in Belfast and I am very proud to say that there was hardly room for one more person in that building.

You are making enormous progress in Australia, and I believe even more progress if possible, in New Zealand, but even your progress is hardly parallel with the progress that is being made in Western Canada.

There are groups on the Western Coast of the United States; there are groups in New York, very powerful groups, and there are groups in Washington, and one of these groups is doing what it can to influence the American situation along the lines we should like to see.

There is a very completely instructed population, or section of the population, in Japan; I know it because they pirated my books. There is very little doubt that the tremendous advance in Japanese export trade which amounted to an increase of 53% in one year – such an increase as has never been known in the history of industry – is an example of working the Douglas Scheme upside down, subsidising exports for sale much below the cost and making up the difference to the manufacturer out of the national credit. We know for a fact that the same thing is happening in China. My books have been translated into both Chinese and Japanese.

I should at this juncture like particularly to say that I am speaking to Queensland because we have had such a marvellous address from your president. If anyone supposes for a moment that an idea, a movement and a programme which have spread practically within 14 years over the whole of the civilized and a great deal of the uncivilized world, is going to be stopped by making me miss the boat for New Zealand, I can assure those people that, in the words of the American “they have another think coming.” (Laughter and cheers)

It is not sufficient that an idea should be right, it must be dynamic, and I’ve mentioned these little matters to show you that

this idea is dynamic and has force behind it. What is it that makes the appeal in these ideas that we are discussing tonight? Of course, in an economic sense, as we believe from the bottom of our hearts, they are correct, they are sound, but that is not enough. They do, we believe, render it possible to solve this paradox of poverty amidst plenty, but even that is not enough. There are ways by which this paradox could be solved otherwise. There are methods that are being employed in Russia and elsewhere in attempts to solve this problem along quite other lines, but the reason that these ideas do make to those who understand them, an instant appeal and an urgent desire to get to the truth of the matter is that they offer an escape from something that I have called Utopianism. We all know that at the present time the world is becoming bound up with one law and one regulation after another. We are brought up in what is sometimes called vocational training, as if the object of life was to earn a living. We are told that we must do this, that we must go there, that we must not do that, and there is at the bottom of your mind the feeling that it is not only not right but that it is not necessary. (Cheers) we may see the urgent necessity for subordinating our special wills and our special ideas of life to some specific urgent necessities such as perhaps arose in 1914. What humanity does not like and will not believe for any length of time is that necessity should be made permanent.

Now, the Social Credit idea is exactly the reverse of that regimentation to which I have referred. It says first of all that because of the genius of inventors, because of the work of engineers, organizers,

agriculturalists and others, great chemists and so forth, we have now reached an age of abundance and fundamentally economic security and it will not, in my opinion, for very long tolerate that terms should be made for that abundance or that economic security. (Applause)

You will remember it was said about certain forward people that they took too much upon themselves. Now, I think that in dictating to all of us the way in which we shall get these good things which either we ourselves or our immediate ancestors have provided for us, any self-appointed body of persons, whether they be called financiers or otherwise, are taking much too much upon themselves. It is from this world of bargaining, this world of rule and regulation, which exists not because of the necessities of the case, but because of the necessities of the system, it is from this that Social Credit offers an escape (Hear, hear!) It does not say, there is one perfect world and we will impose it upon you others, making it a Utopia, but it does say that we are in possession of all the necessary materials to enable you to make a perfect world for yourselves. We do not know what sort of a world you would like to make, but we will help you make it, and that is what we call the escape from Utopia. It is the thing that the human mind, and particularly the Anglo-Saxon mind, has always been determined to achieve right through history, and sometimes we call it freedom, and we are determined, all of us, to achieve freedom. (Loud applause)

There are, of course, a number of technical considerations in the achievement of any system of distributing goods and services. An examination of the exact details and

proposals of that kind is always, in my opinion, better conducted by perusing the writings or discussing it with others who are equally interested, but the principles which are necessary to achieve this economic freedom are really very simple indeed, and do not let anybody tell you that they are complicated.

The first of these principles is that your accounting system – and you must have an accounting system in this economic world in which we live because it is a complex system dependent to some extent on what we call the division of labour and process, you must have an accounting system in order to keep these processes regulated – but the first thing that an accounting system should do is to REFLECT FACTS. (Hear, hear!)

Now how can it be said that the accounting system of the world reflects facts when you see such a simple little thing as this – and this is only one of thousands of instances. Take a bale of wool and put it in storage and do nothing whatever to it. One day this wool may be worth, let us say, £1 (I don't know the exact price, but let this serve for illustration.) and in one or two weeks exactly the same bale of wool is said to be represented by £3 or £4. How can you possibly have a system which represents facts when the figures can change at any moment without any of the facts changing? That is one of the elementary aspects of the matter, but I simply use it to emphasise that you can not begin to grapple with this problem until you are quite reasonably sure that you have some sort of relation which you understand between the facts and the figures. If you had a genuine relation between the facts and the figures at the

present time, you could not possibly have poverty amidst plenty. (Applause)

It is only a very short time since over the wireless in Great Britain we were assured that we were a poor, poor country, and that the only thing to do was to economise. Suddenly, with no change whatever in the physical facts, they seemingly discovered that that would not work, and within two or three months of its being broadcast that we should economise we were told that the only thing to save us was to spend. (Laughter)

Now, having got some sort of relationship that you understand between the facts and the figures, then you have as a question of policy to deal with both facts and the figures. This is where genuine politics – I do not mean the sort of stuff that is called politics, but genuine politics – may reasonably come in. You may take for instance, a country like Australia, and you may say, well, a very wealthy country potentially, and we should like to develop it very much along Western European lines, and in order to do that it would require that the whole of the population shall be employed. There is no difficulty about that whatever. I WOULD GUARANTEE, WITH A FREE HAND TO PUT EVERY MAN AND WOMAN WHO WANTED TO WORK IN AUSTRALIA, INTO WORK WITHIN THREE MONTHS. (Applause)

But it is not necessary. You might quite reasonably say – “There is plenty of time for posterity. There is no reason why we should do the whole of posterity’s work; posterity never did anything for us. Let us enjoy a certain amount of this glorious sunshine and this wonderful land in which we live.” That could be achieved; there is no difficulty whatever in providing, with a

very much shorter working week, or, alternately, with a comparatively large leisure population, a very high standard of living for everyone.

These are matters of policy, genuine matters of policy, which you might reasonably be supposed to be allowed to settle for yourselves, but when anyone says that it is impossible that this country can be in a state of full employment, or alternatively, that it is impossible that those who are not employed shall be reasonably maintained, then I say that he simply does not know what he is talking about. (Hear, hear) You cannot possibly have at one and the same time a large unemployed population, which is the same thing as assuming a large potential production, together with large unused spaces of land and a large mass of unused machinery, you cannot have these things at one and the same time, and have poverty without there being some reason which prevents these people from becoming rich. (Applause)

There is one aspect of the matter which I think is probably more important in Australia very largely because of your trend of thought, as I understand it, and that is the question of the form of administration that you give to your various industries and to your finance. It is one of the most unfortunate mistakes which has affected the general move in the world for better conditions for everybody, that it has generally confused what we call administration with policy. People think, when they see a man giving orders, that that is the man who is formulating the policy which is being followed in that particular case. This is a very probably not the case. When you see a foreman stevedore down in the docks

unloading a ship with the aid of a large number of men to whom he is giving picturesque orders, that man has no control whatever over policy. He has a certain amount of control over administration. He is administering a certain mass of men in accordance with a policy which is imposed upon him.

Now there is one danger which I see at the present time, apart from the intervention of a worldwide catastrophe, and that is, in regard to this question of change in the financial structure of the world. We know quite well that governments are supposed to be supreme over the people governed. On paper, at any rate, the Government of Australia is the supreme authority in Australia, I presume. But I refer to a country I know better, Great Britain. On paper the supreme authority in Great Britain is the House of Commons; but it is extremely doubtful if this is so at all. It is much more likely that the supreme authority is the Bank of England. But the point I want to make is this, that there is a sort of paper condition of these governments of ours which does make them a power, though they may not be the supreme power, they are the second power in the state. What I am so much afraid of is that, by undue haste in combining these two powers through the nationalisation of the financial system and its combination with the government system, you might make only one supreme power which you cannot handle and you cannot control. That is a very real danger, and I would like to impress it on you. I do not think that it might not eventually be necessary to make banking a state service, but what I'm convinced of is that, before you do that, **YOU MUST BE ABSOLUTELY CER-**

TAIN THAT YOU HAVE THE POLICY OF THE BANKING SYSTEM CHANGED. (Loud applause)

Now, what is that policy? It is concerned with the facts, and the outstanding facts so far as Western Europe and the United States of America are concerned, are first of all this tremendous potential abundance, and, secondly, that this abundance is obtained by a decreasing amount of what we call employment. One of my colleagues in Great Britain, working along quite separate lines, and using somewhat different data, arrived at the same conclusion that I did, and that was the result which was confirmed by the more responsible side of what is called the Technocracy Movement in the United States which is also studying the matter, and the three groups came to the same conclusion, which amounted to this: It was obvious so far as Great Britain was concerned, that by 1942, if there was no tremendous jump forward in invention or innovation, if matters actually took the normal course, it would be possible to supply all the goods and services that Great Britain could possibly use for very much higher standard of living than anything we have conceived up to the present, with an unemployed population of over 8,000,000 in Great Britain.

The total employable population in that country at the present time is somewhere between 12,000,000 and 13,000,000, so that the normal progress of actual production would force us to contemplate a state of affairs within 10 years' time that only one third of what we would now call our employable population would be employed. The wages system as we know it is progressively and increasingly incapable of

dealing with the form of society in which two thirds are unemployed. We know exactly how to deal with that situation, and that is by the method of NATIONAL DIVIDENDS. (Cheers.)

I want you to realise that, owing to the fact that we are brought up under the hypnotism of money, these very simple things are sometimes very difficult to realise. There is really no such thing as economic insecurity at the present time. There is no reason why any single person in Australia should give one moment's thought as to where their next meal is coming from. To say that it is necessary to have a succession of "booms" and "slumps" is an admission of complete administrative incompetence.

I'm always very anxious at all times to make this matter as impersonal as possible. I do not honestly believe that every banker is a rogue; I think that many of them are very sincere indeed, and, of course, I realise the immense power that their position has placed in their hands. Where I do think that they begin to be seriously blameworthy and liable to public reprobation is that when these matters are presented **THEY WILL NOT CONSIDER THEM**. I do not myself mind in the least if better ways are found of doing things than the ways that we propose. There may be; nothing is perfect. What I do object to is for people to say: No, we will persist in the old ways which have produced these catastrophes.

It is a very strange thing that those who consent to be the upholders of the financial system are not particularly perturbed by the accusation that they have made mistakes. They have made mistakes even in their own

system to an extent which would have been certain to secure the dismissal of any functionary in any other profession than that of banking. I think that if the designers and constructors of the Bridge [London] had failed in their work five times, and the Bridge had fallen down about five times, and was not up yet, you would be likely to say that it was about time that new designers and new contractors should be given the work; yet this financial system which is alleged to be the only financial system breaks down on every occasion that any strain is put upon it. Mark Twain has defined a bank as being an organization which lends you an umbrella when it is fine and asks for it back when it rains (Laughter), and, of course, when it rains you get wet.

But, as I was saying, the accusation of having made continual mistakes and having continual catastrophes does not perturb the orthodox banker or economist at all.

What does perturb them is to say that the system is a bad one and must be changed. That is why it is very important to point out that a cohort of angels from heaven could not make the system work satisfactorily. We have been saying that for the last 14 years, and, in my opinion, most of the reasonable arguments which could be brought against the things that we have stated have been said and are practically silenced. There is no argument which is brought forward now in Great Britain with which we as an organization have not dealt and have not answered, but it is necessary to realise that you can go on along these lines practically for ever so long as you do not move any further. You've got to bring pressure to bear. (Hear, hear)

In Great Britain we have devoted during the last few years much more attention to this question of bringing pressure to bear than we have to the technique of Social Credit. We are quite satisfied that we have a technical basis for what we want to do, and we are now concerned with getting it done, and in general we have pursued this course. We have contacted an increasing number of men in responsible positions. It is a very cheap thing, and one quite out of drawing with the gravity of this Movement, to suppose that all men in responsible positions are incompetent and are fools. They are not. What I am perfectly convinced is that these men will never move unless pressure is brought to bear on them. You must first of all get the people to understand what it is that you are trying to do, and what you want, and then you must say in no uncertain terms that you intend to have that thing done, and I am absolutely confident that you will get it done. (Cheers.)

I notice that when I talk now to those people in responsible positions, they do not ask me very much about the technical aspects of social credit; they say, "How many followers have you got?" (Laughter) That is the thing that interests them. If you get a sufficient number of people and set your course properly, I do not believe that there is anything that can withstand you. But both of these things are necessary, and, in a rapid passage through Sydney, I give you some practical advice as you go.

Don't waste too much time in lambasting the man who is carrying on the situation. Go to him and say, "Look here, we don't like your system, it isn't necessary, and we would like you to change it. You are close

to the machinery, you are in charge of it, you are familiar with it and it won't answer any special purpose in putting you out. What we are determined to do is to have this thing done. Now if you do it, everybody will be happy, but if you won't do it, we will put you out." (Applause.)

Following that I must say that I am not very much impressed with the idea of forming a special Social Credit Parliamentary Party. I have always opposed the idea in Great Britain, and I think my position has been justified. Get hold of the existing people whether they are politicians or whoever they may be in position, and apply your pressure to them and make their lives a misery to them until they do what you want. (Hear, hear)

Before concluding, I am forced by my conscience to end upon a graver note. **I THINK IT WILL BE A MIRACLE IF WE GET THROUGH THE COMING YEAR WITHOUT THE BEGINNINGS OF ANOTHER GREAT WAR.** What the outcome of this may be I do not know. If it is possible by that miracle to avert that comparatively imminent catastrophe, it can only be done by getting complete control of the financial system within that time. I say that not to frighten you. I do not believe that the Anglo-Saxon ever really is urged along any course by fright. I am simply telling you as a reason for knowing that it is vitally necessary that you don't waste too much time about discussing the fine technical details of a new economic system. That can be adjusted by your experts. Keep hold of the situation, say that you are going to have certain radical changes made in this financial system along lines which are perfectly simple and which will perma-

nently avoid the necessity of undue competition for foreign markets. That is the tinder against the flint at the present time, and there is only one possible way of dealing with that – by increasing your internal purchasing power so that you do not have to press for export markets because you can consume your own production. (Applause)

Finally, it is very frequently asked of me whether it is possible for a real financial system to be instituted in one country at a time. There are two answers to this. The technical answer is: “Yes, certainly there is, there is no difficulty at all.” But what you might call the worldly wise answer is: “Yes, certainly, but such a country would immediately have all the pressure of international finance brought against it.” That is a true objection, but it has this important qualification, and that qualification was one of the reasons why I sketched the growth of these ideas in the different countries of the world. I do not believe that if you instituted Social Credit in Australia, and financial pressure were brought upon you from London, as it would be, I do not think that it would be tolerated by Canada.

There is all over the world a growing appreciation of the situation, which spreads even amongst bankers themselves. There is no doubt at all about it that all the lower strata of banking – and I think it is not an exaggeration to say, certainly in Great Britain, 80 per cent. of bank officers – absolutely agree with me. For that reason I would ask you to take heart and at the same time realize that by making a change in the present financial system you are not running anything like the risks that you are running by allowing things to drift. So get on with it and get busy. (Loud and continued applause) From *The New Era*

IMAGINE:

Telling someone in 1901 that humans would soon be able to fly and go to the moon...
 Describing a television or a computer to someone in 1925...
 Telling someone in 1984 that we could map the human genome...
 Telling someone that you could talk to someone on the other side of the world whist walking down the street

NOW IMAGINE:

Telling someone today that a country could be run with:

- No Taxes
- All Public Services Fully Funded
- Real People Power Democracy
- A complete system of Fair Trade

A Stable Economy free from induced inflation.
 Incentives to produce ecological and socially responsible goods and services.
 People could receive a Dividend from a source other than a job.
 That pensions could be paid without the necessity for taxation.

From *The Good Sense Journal* Oct – Dec 2008

A Christmas Gift?

Why not treat your friends to a ‘good read’? *Asses in Clover* is available from the Social Credit Secretariat. £11 p&p free

Extract from the Introduction to C H Douglas's

Economic Democracy

Geoffrey Dobbs

For although *The New Age* was the forum for the leading literary and political writers of the day, it was then, even more than now, taken for granted that politics and economics were subjects for the men of words. It was unheard of for someone with practical knowledge and experience of the actual processes of industry and accountancy to take a hand.

In this, Douglas was as far ahead of his time as he proved to be in other ways. An engineer, with a wide experience of practical responsibility in many parts of the world, including the unique experience of drawing up the plans and specifications for the electrical work on the Post Office Tube (one of the earliest examples of automation in the history of engineering) he had spent the last two years of the First World War as Assistant Superintendent of the Government Aircraft Factory at Farnborough. In this capacity he brought an original mind to the question of the factory's cost accountancy - a mind which

thought first in terms of the practical realities of production for use, and then considered the book-keeping or financial arrangements as a secondary convenience, much as a railway engineer might consider the railway ticket system. This might seem obvious, but it completely inverted the accepted manner of thinking which treats the whole industrial process as if it existed for financial ends, whether for profits or for employment and wages.

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

Anti-hate Legislation?

The State has no right whatsoever to control the thoughts of the nation's citizens—and history shows that when regimes attempt to do so they end up losing all credibility. We have a plethora of laws providing for the prosecution of anyone who directly advocates or perpetrates physical violence against other persons or property. Ideas are mere abstractions—matters of subjective opinion (except, apparently, to certain

people of totalitarian mind who claim to be God—or the right to dictate according to their own absolutist ideas by Divine Authority). What one person might take seriously or offensive might mean nothing whatsoever to another. None of us can claim to be God—and until we can we had better refrain from the sacrilege of being unwilling to let others have and express their own ideas. Any other kind of political or social dispensation would be a frozen intellectual hell. The British under Christian influence (continued on page 334)

The Principles of Control

The identity of the author of this piece and its original source have been lost. It appeared in the October 2008 issue of *Sustainable Economics* and is reprinted here with the kind permission of the Editor.

The difference between true education and vocational training has been cleverly blurred. Here are a few tips on how smart people can control other people. If any of this rings a bell - Well, then wake up!

The first principle of people control is not to let them know you are controlling them. If people knew, this knowledge will breed resentment and possibly rebellion, which would then require brute force and terror, an old fashioned, expensive and not 100 % certain method of control.

It is easier than you think to control people indirectly, to manipulate them into thinking what you want them to think and doing what you want them to do.

One basic technique is to keep them ignorant. Educated people are not as easy to manipulate. Abolishing public education or restricting access to education would be the direct approach. That would spill the beans. The indirect approach is to control the education they receive.

It's possible to be a Ph.D., doctor, lawyer, businessman, journalist, or an accountant, just to name a few examples, and at the same time be an uneducated person. The difference between true education and vocational training has been cleverly blurred in our time so that we have people successfully practicing their vocations while at the same time being totally ignorant of the larger issues of the world in which they live.

The most obvious symptom is their absence of original thought. Ask them a question

and they will end up reciting what someone else thinks or thought the answer was. What do they think? Well, they never thought about it. Their education consisted of learning how to use the library and cite sources.

That greatly simplifies things for the controller because with lots of money, university endowments, foundations, grants, and ownership of media, it is relatively easy to control who they will think of as authorities to cite in lieu of doing their own thinking.

Another technique is to keep them entertained. Roman emperors staged circuses and gladiator contests because they didn't have television. We have television because we don't have circuses and gladiator events. Either way, the purpose is to keep the people's minds focused on entertainment, sports, and peripheral political issues. This way you won't have to worry that they will ever figure out the real issues that allow you to control them.

Just as a truly educated person is difficult to control, so too is an economically independent person. Therefore, you want to create conditions that will produce people who work for wages, since wage earners have little control over their economic destiny. You'll also want to control the monetary, credit, and banking systems. This will allow you to inflate the currency and make it next to impossible for wage earners to accumulate capital. You can also cause

periodic deflation to collapse the family businesses, family farms, and entrepreneurs, including independent community banks.

To keep trade unions under control, you just promote a scheme that allows you to shift production jobs out of the country and bring back the products as imports (it is called free trade). This way you will end up with no unions or docile unions.

Another technique is to buy both political parties so that after a while people will feel that no matter whether they vote for Candidate A or Candidate B, they will get the same policies. This will create great apathy and a belief that the political process is useless for effecting real change. Pretty soon you will have a population that feels completely helpless, and thinks the bad things happening to them are nobody in particular's fault, just a result of global forces or evolution or some other disembodied abstract concept. If necessary, you can offer scapegoats.

Then you can bleed them dry without having to worry overly much that one of them will sneak into your house one night and cut your throat. If you do it right, they won't even know whose throat they are cutting.

I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up round the banks will deprive the people of all property until their children will wake up homeless on the continent their fathers conquered...

Thomas Jefferson, former US President, 1802.

(continued from page 318) war. Ruskin College encapsulated the aspirations of a generation of young people seeking new ways of working together to create communities of free individuals. As the subsequent history of the 20th century shows, these aspirations were corrupted into the 'beggar-my-neighbour' philosophy of careerism in politics, business and academia.

However, in the 21st century surviving texts from the 1920s and 1930s, which are now becoming available through electronic technology, can almost seem to have been written with the present generation of young people in mind. It is as though The Great War from which we are emerging is not just that of 1914-18, but that of the whole of the 20th century. In this issue of *The Social Crediter* the reader is introduced to texts which circulated outside academia and mainstream political circles when originally written. The time is ripe for these texts to be the subject of serious debate in political parties of all persuasions, throughout the voluntary sector, and above all in the universities and institutes of higher learning. In this way, the young people of today may perhaps develop constructive alternatives to the disastrous policies of the 20th century.

The Purpose of Economic Activity

Extract from speech by Clifford Hugh Douglas, Ruskin College, Oxford, June 1920

The primary object of the whole industrial system should be the delivery to individuals, associated together as the public, or society, of the material goods and services they individually require. This demand of individuals, be it emphasized, is the absolute origin of all activity. Since men co-operate to satisfy this demand, which is complex in nature, it is necessary to combine the demand, and this combined demand of society is the policy, so far as it is economic, of society as a whole. The first part of the problem, then, consists in finding a mechanism which will impose this policy on the co-operating producers with the maximum of effectiveness, which always means the minimum of friction.

Mr. Keynes and the Monetary Cranks

Eimar O'Duffy

Extract from Eimar O'Duffy's *Life and Money: Being a Critical Examination of the Principles and Practice of Orthodox Economics with A Practical Scheme to End the Muddle it has made of our Civilisation*, Putnam 1933 (p218-223)

In Volume II of the *Treatise on Money* [1930], Mr. Keynes devotes a section to those whom he calls 'the Army of Heretics and Cranks' namely, the various schools of monetary reformers. These would appear to be very numerous, but he does not mention any of them by name, not even Major Douglas, the most eminent, whose scheme is supported by a large and growing following, has been expounded in a hundred books, and is the constant theme of a high-class weekly review. Whether Mr. Keynes's criticisms are valid against other monetary reformers I cannot tell; but I propose to show that they are invalid against the Douglas scheme.

After paying a tribute to the disinterestedness, honesty, and vigour of the monetary reformers (page 216), Mr Keynes says:

Their theories of Money and Credit are alike in supposing that in some way the banks can furnish all the real resources which manufacturers and trade can reasonably require without real cost to anyone, and, if they qualify their claims, it is according to some criterion as to the purpose to which borrowers apply the resources they borrow.

This is a misrepresentation. Credit reformers do not expect the banks to furnish real resources – which can only mean labour and material. The demand is that they shall furnish the credit necessary to utilise these resources according to scientific, instead of rule-of-thumb, methods.

Mr. Keynes proceeds:

For they argue thus. Money (meaning loans) is the lifeblood of industry. If money (in this sense) is available in sufficient quantities and on easy terms, we shall have no difficulty in employing to the full the entire available supply of the factors of production. ... If, therefore, sufficient bank credit was freely available, there need never be unemployment. (p219-220)

Mr Keynes's Sisyphistic (a) habit of mind completely misinterprets the reformers' case. We do not say that credit reform will abolish unemployment. We say that it will abolish poverty by distributing the existing or potential plenty which industry can produce. Unemployment, in our eyes, is not an evil, but a blessing in disguise. We call it leisure.

Mr. Keynes goes on to say that we accuse the bakers of restricting credit in order to raise its price, and that we pay due regard to the danger of inflation, maintaining that this can only occur if the new credits do not meet a genuine demand for working capital.

The reply of the bankers to this charge is, says Mr. Keynes, 'singularly unconvincing', implying as it does that the amount of working capital available for industry depends in some way on the amount of gold in the Bank of England or the Federal Reserve System.

He then goes on to say that it has been a

THE SOCIAL CREDITER

principal object of his *Treatise* to answer these perplexities. The answer lies, he says, in the preservation of a balance between the rate of saving and the value of new investment. If the bankers create credit to such an extent that the value of new investment is raised above the amount of current savings of the public, they are guilty of inflation; and unless they create sufficient credit to prevent the value of new investment from falling below the amount of savings, they are guilty of deflation.

How much credit has to be created in order to preserve equilibrium is a complicated matter – because it depends upon how the credit is being used and upon what is happening to the other monetary factors. But the answer, though it is not simple, is definite; and the test as to whether or not such equilibrium is being preserved in fact can always be found in the stability or instability of the price-level of output as a whole.

This answer is no answer to our perplexities. The stability of the price level does not matter tuppence if the goods produced by industry cannot be consumed; and they cannot be consumed at any price-level until the purchasing power of the community is equated to its productive power. As a matter of fact, progress towards prosperity means a reduction of the price-level – that is to say, more result for less effort – the price of goods being the measure of the effort needed to produce them. Mr. Keynes with his price-level is thinking in mechanical terms; we think in human terms.

Professor Keynes continues:

The mistake which the heretics have made is to be found, therefore, in their failure to

allow for the possibility of Profit inflation ... They have not allowed for the contingency of investment outpacing savings, of the new wealth which is created not being in consumable form simultaneously with the new spending power allotted as their remuneration to the factors of production. They do not perceive that prices can rise even though the rate of remuneration of the factors of production per unit of output is unchanged.

On the contrary, Major Douglas pointed out long ago that it is a fault of the present system that the factors of production have always spent their remuneration before the goods they have produced can come onto the market. It is precisely because of our recognition of these things that we insist on the scientific equation of consumption to production. In the scheme advocated in this book [*Life and Money*], currency will only be issued against actual production, and prices will be kept down automatically by the apportionment of credit to turnover instead of profit. Major Douglas's scheme settles the difficulty by means of the Price Calculus.

The ideal of stability (concludes Mr. Keynes) is not to be attained either on the principles of the heretics or on those of the bankers ... Neither of them attends to the real criterion of stability, namely, the equilibrium between savings and investment. The banks determine how much they will lend by reference to the quantity of their reserves ... while the heretics would have them determine it by reference to the quantity of the factors of production available to be employed; but neither of them propose to determine it by reference to the equilibrium between saving and investment, though this is the only criterion

which would preserve the stability of prices. Nevertheless, the heretics are calling attention to a real defect in the present arrangements when they complain that the banks are not, and cannot be, influenced in their lending policy, under the present regime, primarily by the object of maintaining the optimum level of employment.

Here Mr. Keynes's misunderstanding of our position becomes hopeless. We are not aiming at 'stability' but at the abolition of artificial poverty. We do not ask that credit should be determined by the quantity of factors of production available to be employed, but by the quantity of goods needed by the community and capable of being produced by the proper utilisation of the community's real resources. Finally, we do not complain that the banks are not influenced in their lending policy by the object of maintaining an optimum level of employment. We complain that they are not influenced by the object of securing a maximum consumption of goods.

This 'ideal of stability' is the key to Mr. Keynes's mentality. He looks on the economic system as a thing existing per se; discusses most learnedly its parts and functions; and is deeply concerned that it shall work efficiently. But he seems almost unaware of its real purpose, and fails to observe, or, at any rate, to allow for, external conditions which must radically affect its action. Thus in the whole of his comprehensive treatise he never mentions the fact that this is an age of plenty, and he thinks in terms of scarcity as tacitly as did Adam Smith two hundred years ago. *The Treatise on Money* is rather like a treatise on bicycles which might be written by a brilliant mechanic who knows all about the construction and working of a bicycle, but

has forgotten that its primary purpose is to carry a man, and is imperfectly aware of the improvement of the roads since the eighteenth century.

Editor's Comment: In the above extract it is evident that Keynes had study-read the work of Douglas and other monetary reformers, so that he is in a position to comment upon them authoritatively. Equally, O'Duffy has read not only the monetary reformers but also Keynes Treatise on Money, published in 1930. Keynes major work, his General Theory on Employment, Interest and Money was yet to be published (1936). The latter work shows evidence of its author having taken on board certain aspects of the case presented by the monetary reformers, albeit without acknowledgement or, seemingly, comprehension as to the fundamental purpose of economic activity. If the objective of the economic system is to keep people in employment so that they can turn out an ever-increasing stream of goods and services so that they can buy the stream of goods and services so produced, – well, then - Keynes has a point. But if, as O'Duffy, following Douglas, points out, changes in technology mean that the hours of 'labour' required to produce a sufficiency of well-designed goods and services, then the requirement for financial 'equilibrium' between savings and investment becomes redundant. However, to this day students of economics are taught that economics is the study of the application of scarce resources to infinite wants, while finance plays a purely neutral role in policy decisions.

(a) In Greek mythology, Sisyphus was a king punished in Tartarus by being cursed to roll a huge boulder up a hill, only to watch it roll down again, and to repeat this throughout eternity. Today, Sisyphian can be used as an adjective meaning that an activity is unending and/or repetitive. It could also be used to refer to tasks that are pointless and intrinsically unrewarding.

Extract from

Real Wealth and Financial Poverty, pp 269-270

Captain W Adams

The Astronomic Unit

The genius of the human race has harnessed the lightning and subdued the elements. Man rides the storm and propels his body through space. A few years hence and he shall circle the earth with the speed of the whirlwind, and his voice shall speak from continent to continent like the word of a neighbour to his friend. The vision of things unseen shall be brought before him and his eye shall probe the further universes where the greater Earths have found their wisdom, perhaps, from follies as strange as those of internecine strife and social misery.

Almost consciously the questing Mind feels itself swinging on the mathematical dance with death as the Wanderer flies on his way through space, the slave of an invisible power that holds him balanced on the brink of utter oblivion. Yet, in this consciousness, and looking outward into immensities of silence and grandeurs of illimitable power, the mind of man retains

(continued from page 328) have understood this, imperfectly, but have with long effort attempted historically to provide the freedom of intellect, expression and association that make life worth living. We are under no obligation to sacrifice our fundamental freedoms, and ultimately, our civilisation, because of complaints, sincere or mischievous, by people who are more concerned about advancing their own self-serving agendas or preserving their precious little egos than about arriving at the truth of matters, *per se*, through full and unrestricted access to evidence, *in toto*. A

the courage and the fearless strength of a sublime hope.

In such perspective, he recognises his planetary home as a thing infinitely small, amongst the infinitely great, and it is not too soon to suggest that such a genius of achievement and such a sublimity of hope should be turned for a space on the ignoble and destructive struggle between man and man, or nation and nation.

If all men should be equipped with an economic security, and a freedom for self-development and expression, and if every nation should be in fact, as it is in theory, a family or tribe functioning economically for the common good, it does not seem too much to hope that in such conditions the Astronomic Unit would be the unit of human intercourse, and the slaughter of nation by nation would be as unthinkable as the deliberate exploitation of a human entity to his own detriment, for the benefit of his brother.

nation based upon misconceptions or lies, officially or "legally" ensconced because of specious nonsense about "sensitivity", cannot, and probably does not deserve to, endure. The truth, and the truth alone can make us free. We must, all of us, be free to seek it. If the engineers who design our modern jet aircraft decided to ignore the (natural) laws of aerodynamics because of some "official" edict denouncing those laws, surely very few people would be inclined to board those aircraft.

Wallace Klinck

Credit Crunch and Social Credit

Frances Hutchinson

“We must educate our masters!” was the cry in 1870, when political democracy was being introduced. Well over a century later, as democratically elected governments bail out non-elected banks across the world, the voter struggles to make an uneducated guess as to what exactly is happening. When asked to comment as ‘experts’, academics and politicians merely demonstrate that their talents might be better directed towards predicting next week’s weather. Unlike the weather, however, the financial system which regulates economic relations in the world today is a man-made system. Although it has been objectively analysed by Clifford Hugh Douglas during the 1920s and 1930s, his work has been studiously ignored, with results which have become all too evident. The financial speculation which appears to be the cause of the so-called ‘credit crunch’ is but a symptom of a problem arising from consciously adopted policies in banking and finance.

Writing in the *Financial Times* (7 July 2008), Wolfgang Munchau observed that the cause of the problem could be traced to economists, in their role as policy advisors and policy makers, rather than to bankers. He points out that it is not unusual for respected academics to become central bankers or finance ministers. This makes it difficult for them to change their minds when facts do not fit their theories, as their reputations as policy makers and as academics are at risk when they turn out to be mistaken. Thus, observes Frank Taylor in the October issue of *Sustainable Economics*, “a prevalent ideology, itself

created in support of the dominant power interest, constructs its supporting academic hagiography [i.e., biographical story line] not from the ether of truth and objective science, but from the base clay of ambition, obsequious obedience, conformity, cowardice and greed.” Taylor’s powerful indictment of the career academic, whose theories underpin policy formation in finance and politics, cannot be faulted by an objective observer of research and teaching in departments of economics across the world.

New Keynesianism is the ‘latest’ theory of career economists. According to Munchau (*op. cit.*), at the heart of this doctrine stands the ‘dynamic stochastic general equilibrium model’. The model plays upon the theme of ‘old’ Keynesianism, itself a variant on Say’s Law of the neoclassical Circular Flow. In this model, money and credit facilities do not exist. Financial markets can have no role to play, because, according to Say’s Law, money is purely a facilitator of exchange: every purchase must result in a sale, and every sale is the result of a purchase. The model’s technical features ensure that financial markets appear to have no economic consequence in the long run. “Stochastic” is a term used in statistics with reference to a random variable. Meaning also ‘involving conjecture’, it has arisen amongst a mountain of ‘complexity’ theorising which all boils down to nothing more than the observation that nobody knows what will happen next until a new policy is decided upon. Taylor comments:

In the stochastic world stuff just happens more or less out of thin air. It is a concept intended to chime with the message of globalisation; that we ordinary mortals are not, nor ought we to be, collectively in charge of our own destinies. Free markets and the Masters of the Universe will see to that on our behalf (Taylor *op.cit.*, emphasis original).

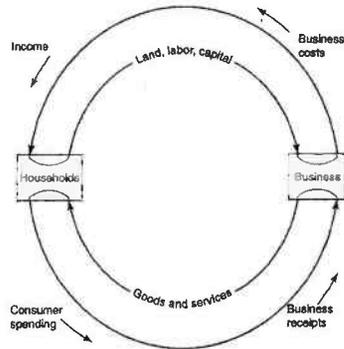
Apparently, the ‘dynamic stochastic general equilibrium model’ is now the main analytical tool of the world’s central banks. So, what is being said here, with spot-on accuracy, is that practical economic policy is being determined by academics whose understanding of the economy is itself determined by the self-interested desire to obtain research grants, fellowships and directorships. Since the finance for research grants, fellowships and directorships comes from those who direct economic activity in the world at large, it is scarcely surprising to find that would-be academics who seriously challenge the ‘dynamic stochastic general equilibrium model’ invariably fail to obtain the vital research grants which alone give access to an academic career.

The Dynamic Stochastic General Equilibrium Model (DSGE)

So what exactly are career economists in the universities across the world saying today about the world economy? In their attempt to understand the real world, economists create theoretical systems or ‘models’ which capture the essential elements of the relationships they seek to study. Economic theory is conventionally split into two parts, microeconomics and macroeconomics. Microeconomics is

concerned with individual decision units, households and firms. The relationship between ‘the Household’ and ‘the Firm’ is always modelled thus:

Diagram 1: The Circular Flow



This, in all its simplicity, is the basis of microeconomics, the foundation stone of neoclassical economic theory. The Households have what Businesses need – it may not only be ‘labour’, but also ‘land’, i.e. natural resources, or ‘capital’, i.e. factory plant, the use of which is rewarded by ‘rent’ or ‘interest’ payments. Businesses produce what Households want, so that the circuit creates a balanced equilibrium. Incomes flowing to Households are available to be spent on the goods and services flowing from the Businesses: hence there can be no shortfall, no ‘factors of production’ (land, labour capital) involuntarily unemployed, and no goods and services unsold. Left to itself, the total sum of individual choices will result in a return of the economy to equilibrium. However, in order to create this model it is necessary to set aside certain problems. That is, certain vital elements in the real economy are simply *assumed* not to exist. Thus the neoclassical Circular Flow model would work if, and only if, there was only

one Household and one Business, and the entire economy operated at one point of time. In that event, money/ finance, would act as a purely neutral facilitator of exchange transactions between the Business and the Household at that point in time, while the state of technological developments could be assumed to remain the same throughout the time period in which the model is being considered. Plainly, over the economy as a whole, this is far from being the case.

During the 1930s, faced with the overwhelming evidence of involuntary unemployment and trade depression on a grand scale, economists invented a whole new branch of economics. Based on Keynes *The General Theory of Employment, Interest and Money* (1936), macroeconomists seek to account for the fact that, left to itself, the national economy does not act as explicable as pure neoclassical theory says it should. The activities of all the Households and all the Businesses in a nation or region as a whole are thrown together or 'aggregated', so that models and predictions about the economy as a whole can be made. Macroeconomists develop models in an attempt to explain the relationship between such factors as national income, output, consumption, unemployment, the money supply, inflation, savings, investment, international trade and international finance. Economists following Keynes argued that unemployment was caused by a failure in 'aggregate' (total) demand due to business cycle fluctuations. Such fluctuations could be reduced through monetary and fiscal policies, whereby the government spends more, or less, depending on the situation, raising the money through debt. Such

macroeconomics was "activist," calling for regular use of policy to stabilise the capitalist economy. A host of different 'schools' have played variations on the same theme ever since. 'New Keynesianism sought to provide microeconomic foundations to Keynesianism, whilst 'Post-Keynesians' emphasised the importance of demand in different time spans, introducing concepts like 'uncertainty', 'liquidity preference' and so on.

However, the basic premises of microeconomics continued to be adhered to throughout, so that each new wave was in fact nothing but a variation on the basic theme as set out in terms of the Circular Flow. 'The economy' is the total sum of Households selling their 'factors of production' to Businesses, and Businesses selling their production back to the Households as consumers. The New Keynesian dynamic stochastic general equilibrium (DSGE) modelling is but the latest variation on the same theme.

The Credit Crisis in Historical Context

In short, economic orthodoxy has, once more, very little of significance to contribute to the debate about solutions to a self-evident presence of an economic crisis because theories about banking and finance have been artificially grafted onto the elegant models of neoclassical theorising based upon the Circular Flow. If banks 'fail', they must be bailed out by governments. Economic theorising can explain what happened at a later date. The important thing is to bail out the existing system so that business can continue as usual. Theorising can be adapted to the facts at

leisure after the event.

In the 1930s the perceived problem was that of unemployment: Households (consumers) could not get an income from employment in order to spend on the goods and services produced by Business. In that instance it was the employers who were 'bailed out' by the deficit financing by government of infrastructure and industry. For Keynes to provide a convincing theory he needed an analysis of the structure of the economy, i.e., of the relationship between flows of finance to flows of factors of production into industrial production, and flows of goods to consumers. That analysis was provided by Clifford Hugh Douglas in his writings on Social Credit. However, Douglas' purpose in developing his analysis was not to maintain the credibility of the Circular Flow theorising and the strictures of orthodox finance to which it alone gave credibility. Rather Douglas, the engineer, turned his mind to the practical question of the actual relationship between finance and the real economy of resources, goods, services and the people who sought to cooperate to create communities fit to live in.

Douglas asked some fundamental questions, and provided answers based on practical observations of real life phenomena. Before World War I engineering projects on which he was working were often deemed unviable due to lack of finance, despite the presence of an ample supply of the factors of production, coupled with technological know-how and the need for the project by a local community. When World War I broke out - for reasons which still cannot be explained - finance proved to be no problem at all. Finance in plenty was available for the increase in production

necessary to provide armies with the weapons and the where-with-all for the massive destruction of resources and the slaughter of 30 million people. In the immediate aftermath of the War, while many people asked the question, 'Why?', Douglas showed *how* the war was financed (i). As early as 1920 Douglas predicted that the financial orthodoxy currently being taught to potential politicians at the London School of Economics would, if adopted in practice, result in trade depression and a further world war. Through the A+B theorem Douglas demonstrated the flaws in Circular Flow theorising, by introducing *flows of finance over time* (ii).

Douglas' predictions, based upon his A+B analysis, were fully confirmed in the economic crises and depression years of the 1920s and 1930s. The leading economists of the day pointed out with total accuracy that Douglas' analysis did not square with orthodox theorising. However, such was the relationship between finance on the one hand and politics and academia on the other, that it literally did not *pay*, in terms of career prospects, for an academic to reject the premises of orthodox economic theory in order to openly accept Douglas' analysis as an accurate to the study of economics. Books, articles and speeches by Douglas were, however, being studied thoughtfully and at length by voters who were finding 'official' explanations of the causes of poverty amidst plenty to be totally unacceptable.

There was only one way out of this dilemma. The full force of academic authority was turned upon Douglas in public debates, in public meetings and BBC Radio debates, and in the columns of

daily and weekly newspapers. The whole controversy is available in print to this day, for study by the genuine seeker after the truth of this assertion. What the debate boiled down to was a mis-representation by orthodoxy of what Douglas was actually saying, followed by an attack on that mis-representation. In order to set about debating with Douglas, it was necessary, of course, to study-read what he had written. Since Douglas' analysis of the relationship between finance and the real-world economy of employment of the factors of production in the processes of production, distribution and exchange was accurate, it followed that study of his writings provided orthodox economists with useful insights for their own work. The life's work of James Meade, G.D.H. Cole and John Maynard Keynes, all of whom studied Douglas in detail, demonstrate the accuracy of the Douglas' observation that accurate *analysis* is necessary to put *policy* into practice (iii).

The notion that the primary purpose of the economy is to provide incomes from *employment* was originally critiqued by Douglas long *before* the publication of Keynes *General Theory*. Ironically, all varieties of 'Keynesianism' are ultimately derived from Keynes, whose thorough exploration of the work of Clifford Hugh Douglas played, by all accounts, no small

part in the development of his (Keynes's) theories on 'employment, interest and money'. Keynesianism in all its many guises merely seeks to maintain the system of employment for a money wage or salary, whilst the social credit analysis, from which it was derived, was explored in the quest for the justification for freedom from involuntary employment, (wage/salary slavery), poverty amidst plenty, economic competition and war. Douglas' book, entitled *Economic Democracy*, and published with that end in view, preceded Keynes's *General Theory* by a full sixteen years. Nine decades after World War I political policies are dominated by the same theorising of economic orthodoxy which has resulted in the economic competition, environmental destruction, third world debt, recurring financial crises and wars which have characterised the history of the 20th century. The time has come to use the legacy of sound economic analysis to create policies designed by the people for the people. No better starting point exists but the work of Clifford Hugh Douglas.

(i & ii) For detailed references to the relevant works of Douglas see Frances Hutchinson and Brian Burkitt (2005) *The Political Economy of Social Credit and Guild Socialism*, (Jon Carpenter).

(iii) Hutchinson and Burkitt, op.cit., esp. pages 83-93

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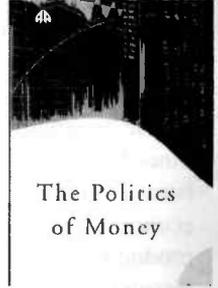
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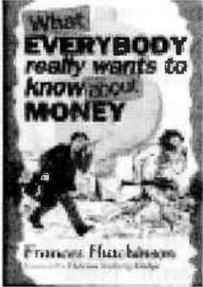


The Political Economy of Social Credit and Guild Socialism
(Jon Carpenter £12.99)

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



Frances Hutchinson
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Annual subscriptions to *The Social Crediter* £8.00 (UK), £12.00 (abroad)

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