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In this issue:

Editorial

In my role as Chairman of the Social Credit Secretariat and Editor of *The Social Crediter*, I was recently offered some help. After considering the possible opportunities presented by this offer, I reached a conclusion: the help the Secretariat needs most of all is in publicising my work. We need as many people as possible to read through the books, refereed papers and articles which have been published, to comment on them and to encourage others to do the same.

This may sound extremely arrogant. However, scrutiny of the writings published under my name will reveal two things. First, virtually all of the work is co-authored with professional academics. And second, as a whole, the body of published works forms a coherent introduction to the very best of 20th century thought and writing on political economy. Hence it offers a logical starting point for activists, academics and concerned individuals who may seek to avoid repeating the mistakes, both in theory and in practice, which the history of the 20th century demonstrates.

After a lifetime in education and local activism, I entered academia as a post-graduate student determined to discover why economists and others were not tackling the causes of war, poverty, social malaise and environmental degradation. The answers are in the published works, for which I was eventually awarded a doctorate (2004). The simple answer to my question is provided by David Korten in his *1995 When Corporations Rule the World.* The corporate world so dominates the world economy, politics, academia and the media that all alternative thinking is systematically co-opted into the service of corporatism or silently ignored. As a last resort, if the opposition fails to go away, it is subjected to a ruthless barrage of lies and slanders, as was the case with the work of Clifford Hugh Douglas and the Social Credit movement. Hence it was in the interests of career academics to maintain a cautious distance. Political scientists studied the Social Credit movement as a populist reaction to hard times. Economists misrepresented Douglas' analysis in order to declaim it as flawed, while at the same time using his insights to further their own work and careers, e.g. Keynes and Meade, who were concerned with the maintenance of the business-as-usual system of employment and production for export.

The Political Economy of Social Credit and Guild Socialism, co-authored by Brian Burkitt, Senior Lecturer in Economics at Bradford University, UK, is unique in presenting an accurate account of the Social Credit phenomenon within the context of the times. The book was published as one of a Routledge series on the history of economic thought, so that for the first time an accurate account of Douglas' work was available for study in universities. *The Politics of Money*, co-authored with Mary Mellor and Wendy Olsen, and a series of papers, have served to set Douglas' work in the context of political and economic thought of the 20th century as a whole. The latter book provides twelve pages of bibliography enabling the reader to verify for themselves the material presented by being introduced to the leading thinkers.

In addition, a number of scholarly papers on Social Credit have been published in refereed journals. The practice of sending out papers for peer review is central to the world of scholarship. On receiving an original paper, an editor sends it anonymously to two or three established experts. They are asked to offer an opinion as to whether the paper constitutes a truly original addition to already published work on the subject and to verify the authenticity and relevance of the works cited in the paper. To some degree, all writing is a matter of opinion. However, scholarly works differ from works of fiction or journalism in that they are judged to be based on a sound evaluation of already existing publications in the field of study under review. That is, they must be shown to be based upon a comprehensive study of the subject area under review.

My experience over the last 20 years has taught me that, because of the corporate stranglehold on funds and hence on career prospects, there is presently very little truly challenging research being published by the 'experts' in academia. On the other hand, however, the danger is of a host of unfocused individuals busy 'having their say'. Unsubstantiated journalistic flights of fancy tend to flag up the problems, presenting neat, sticking-plaster solutions to the symptoms but leaving the underlying causes of the general malaise out of account. In these circumstances it becomes necessary for each and every individual who senses there is 'something rotten in the state of Denmark' to find ways of coming together with others through reading and listening rather than talking off the cuff. Policy, as Douglas never tired of saying, must come from the people. But to be effective, the people must know what it is they really do want, and how to set about working effectively towards change. That requires study. The emergence of Social Credit as world-wide movement in the 1920s and 1930s can be attributed not merely to the accuracy of Douglas' thought and writing, but most particularly to the dedication of countless ordinary individuals who took it upon themselves to study his works and form study groups in order to further their understanding not only of Douglas but also of the flaws in mainstream orthodoxy.

There is no short-cut. It has been the policy of the corporate world to maximize the time spent at 'work', and the money spent on 'leisure', whilst reducing education to nothing more than 'vocational' training in how to follow orders from one's superiors. It is, as always, easier to go with the flow. But as someone once said, "only dead fish swim with the tide."

'Tis the voice of the banker. I heard him profess:
"You're producing too much; you must all consume less."
As a shark with a thimble, so he with his pen
Makes credit from nothing and cancels again.
When pockets are empty he's full of elation
And talks in contemptuous tones of inflation.
But when he's in a mess and can't pay, he looks glum
And asks for a moriatori-o-um.

Eimar O'Duffy,
Social Credit
21 August 1934

Extract from

The Monopoly of Credit

C H Douglas (first edition 1931)

Preface to the third edition, 1950

Since this book was first published, at a time when the Anglo-Saxon world was shivering from financial and economic depression (only ended by re-armament for the second War-phase), there has been a shift, more apparent than real, from rule by finance to rule by Order-in-Council. To anyone who will take the trouble to analyse the course of events, however, it must be obvious that the Monopoly of Credit, which means the effective domination of human activity, is being pursued with relentless persistence.
On the outcome of this policy, so far as can be seen, depends the earthly destiny of the human race.

Chapter I
Government by finance

It cannot have escaped the observation of anyone interested in the welfare and orderly progress of society that, more especially in the years which have intervened since the close of the European War and the present time, the centre of gravity of world affairs has shifted from Parliaments and Embassies to Bank Parlours and Board Rooms. It is probable that this shifting is more apparent than real; that, in fact, Parliaments and Embassies have not for a long time been more than the salesmen of policies which were manufactured elsewhere. But the public is becoming increasingly dissatisfied with the goods; it has changed the window-dressers with disappointing results, and in consequence it is, perhaps for the first time, beginning to take an interest in matters of economics and finance which previously it had been content to leave to experts.

One of the first results of this awakening interest has been a demonstration of the distance which separates exact knowledge from popular understanding of the methods by which the ordinary necessities of life and the amenities of civilised existence are placed at the disposal of individuals in the modern world. If this ignorance were of a purely negative nature, the situation would be sufficiently disquieting. But unfortunately that is not the case. Particularly in regard to finance, which may be termed the nerve system of distribution, most people hold, with some persistence, ideas which are both incorrect and misleading, and are supported in their disinclination to change these views by sectional interests of great potency and ability in the attainment of their own objectives, which superficially seem well served by the prevailing ignorance.

No just appreciation of this situation is possible which does not take into consideration the peculiar, and perhaps unique, position occupied by finance in the organisation of modern society in every country. Finance, i.e. money, is the starting-point of every action which requires either the co-operation of the community or the use of its assets. If it be realised that control of its mechanism gives, to a major extent, control of both personal and organised activity, it is easy to see that education, publicity, and organised Intelligence (in the sense in which the word "Intelligence" is used in military circles) can be controlled, first to minimise the likelihood of criticism arising, and should it arise, depriving it of all the normal facilities for effective action. Finance can and does control policy, and as has been well said by an American writer, Charles Ferguson[1] "control of credit and control of the news are concentric."

The results of this state of affairs can be seen somewhat sharply defined in the case of professional economists, necessarily in the direct or indirect employ of banks or insurance companies.

It would, of course, be improper and probably unfair to attribute anything but intellectual honesty to these gentlemen. Moreover, such an assumption would deny due appreciation to the ability of their patrons. Their failure to make any noticeable contribution to the solution of the problems within their special field can, I think, be explained by the incompatibility of any effective solution with the credit monopoly which is at once their employer and critic.

The control of publicity renders it easy to circumscribe the reputation of the unorthodox. Modern organised publicity in its various forms is a product of costly machinery and is controlled by financial mechanism, so that, in general, any information circulated through such agencies is orthodox, while any authority recognised and advertised is a witness for the defence of things as they are, or as those at present in control of finance would desire them to be. It is therefore perhaps not astonishing that public opinion is in much the stage of economic enlightenment that we should expect as the result of the suppression and distortion of the essential facts. Most features of the social system, and many things which are not features of the social system, have in turn been blamed for its defects, with the exception of the money system. These alleged causes have been in the nature of private privileges, and it has not been difficult to manipulate popular clamour, or indeed to finance it, so as to cause the transfer of the privileges to an international plutocracy, under cover of their transfer to "the public" or "the nation".

Unable effectively to isolate the cause of the trouble, a large section of the general public, while recognising the increasing gravity of social maladjustment, has fallen back on the assumption that human nature is at fault—a comfortable theory which, while excusing the necessity for further mental effort, goes some distance towards assuring popularity in circles well able to reward it.

While all the more immediate difficulties which threaten us are in the nature of technical defects, requiring for their adjustment rather a change of head than a change of heart, it is unwise to under-estimate the psychological obstacles which lie in the path of reconstruction. Probably that of fear is the most fundamental, fear of the unknown, fear of one's neighbour. The psychological process known as rationalisation clothes this fear in a number of moral forms, for instance, that it is immoral that John Smith should receive goods without working although I myself receive dividends.

Economic analysis, and still more, any constructive proposal, which does not at the same time envisage the dynamics of society is unlikely to achieve more than temporary success. The Greek word from which "economics" is derived, meaning household management, is much closer to the reality of the matter than the bloodless "inexorable economic laws" which are at once the propaganda and the nightmare of the international financier; laws which, in the main, are merely the statement of the results which accrue from the operation of a purely artificial money and accountancy system.

It should be recognised clearly that minority interests have acquired, and intend to retain, all the mechanisms of organised force of which the State disposes.

The problem which faces the world, therefore, is not merely to recognise in Finance the major cause of its distress, but to devise means through which sufficient force may be brought to bear upon those agencies which alone can rectify the situation.

This extract is taken from the 4th (Douglas Centenary 1979) edition, published by Bloomfield Books
26 Meadow Lane Sudbury Suffolk CO10 2TD (UK) from where it is available, pb £10, hb £12.

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[i] "Revolution Absolute"

The Contemporary Relevance of Clifford Hugh Douglas

Frances Hutchinson and Brian Burkitt

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In times of economic recession conventional economists often turn to the work of unorthodox amateurs in their search for solutions. It is their practice to abstract from heterodox works those aspects which most closely accord with mainstream thought, while dismissing the less familiar elements as irrelevant. The work of one such amateur, Major Clifford Hugh Douglas, attracted the attention of Keynes and Hawtrey in their search for solutions to the twin problems of economic decline and unemployment during the interwar years. Although providing valuable insights into contemporary problems, Douglas' writings lack coherence when read as an attempt to solve these problems in any conventional sense. Indeed, *Economic Democracy*, which introduces all Douglas' basic concepts, was first published in 1919 when the trade cycle problems of the interwar years were yet to manifest themselves. Douglas was motivated by other concerns. He questioned the necessity for economic growth, while seeking reasons for the failure of industrial technology to deliver a comfortable lifestyle for all, free from long hours of labour and perpetual insecurity. As an explanation of the financial mechanisms which require an escalating increase in material output as an essential prerequisite for distributing effective demand to consumers, Douglas' work deserves critical re-examination.

This article originates in a systematic appraisal of Douglas' writings in the years immediately after the First World War[i]. Douglas was familiar with the work of the American economist Thorstein Veblen,[ii] founding father of institutionalism, and his critique of capitalist finance is in accord with the tenets of that school.

Douglas' original observations

As consulting electrical engineer to Westinghouse in India and to the Post Office in London before the First World War I (he designed the fully automated unmanned Post Office Tube), Douglas noted that financial restrictions inhibited the introduction of new technologies. However, such constraints on government activities were overcome with the outbreak of war in 1914. His observations, when working on the accounts at Farnborough in 1916, of an imbalance between wages paid out and costs generated within a given period, gave rise to his widely-debated 'A+B theorem'. While Assistant Superintendent of Farnborough aircraft factory Douglas acquired the rank of major. Subsequently, between 1918 and 1922, he consolidated his theories with the assistance of A. R. Orage, the guild socialist editor of *The New Age*.

By developing the implications of his observations, Douglas became convinced that economic decisions were made by default. Although money was essential to the maintenance of a modern economy, decisions concerning its creation and circulation occurred within banking circles. These were not democratically accountable to the community. Naively, Douglas the practical engineer believed that the mere publication of his findings would enable the community at large to exercise conscious control over the monetary mechanisms which ultimately determine the nature and quantity of production and the distribution of commodities to consumers. In his view, money could become a 'ticket system' for the allocation of the community's goods and services rather than a system of speculation operated by and for the financial benefit of a small section of society. His writings were the subject of extensive public debate throughout the UK in the 1920s and 1930s. Douglas was engaged in verbal or written discussion by Frank

P. Ramsey (1922), John A. Hobson (1922), Maurice Dobb (1922, 1933 and 1936), G. D. H. Cole (1932 and 1933), Hugh Gaitskell (1933), Evan Durbin (1933), H. R. Hiskett (1935 and 1939) and Geoffrey Crowther (1934). His work was noted by Keynes in the 1920s and 1930s and circulated in many other countries.

Douglas in context

The extent of this debate indicates that Douglas was read by the leading political economists of the interwar years. However, during the 1930s and subsequently, the very vigour of debate over 'Douglas Social Credit' has coloured later perceptions of Douglas as an economist. Douglas appears as a maverick figure, an eccentric ploughing a lonely furrow well off the beaten track. There is no biography of Douglas, and an early study presents him as cold and aloof, unable to 'get off his pedestal and examine the oilers and greasers who are lubricating his wheels and shafts'. His books reveal a 'benevolent condescension', a contempt for humanity in general, be they financiers, socialists or citizens. Therefore the vehemence of the debate during the inter-war period requires some explanation.

Crowther, the leading authority on money for a generation of economists, included an appendix on Douglas in each edition of his *An Outline of Money* between 1940 and 1947, originally written as an article for the *News Chronicle* in May 1934. Crowther does not attack Douglas; rather, he lambasts the general public for attempting to understand social credit, which 'deals with the extremely difficult and technical subject of monetary theory, which one would not expect to have a wide popular appeal'. Ten pages later he decides that although 'the final conclusion at which I arrive is not that Major Douglas is wrong', there is nothing of value in his work which is not already to be found in the writing of 'scores of other economists'. With patronising 'reluctance', he concludes that Douglas' proposals would 'do more harm than good.... It is always distasteful to disagree with enthusiastic idealism, especially when the objectives of the movement are so admirable.'

Douglas' extraordinary success in raising popular awareness of his analysis of the role of money in the economy has served to obscure his contribution as an economist. Even E. F. Schumacher, whose work is far less substantial than that of Douglas, is "widely regarded as an economist, while the American Henry George, with similar credentials to Douglas, has appeared in *The Penguin Dictionary of Economics*. Today Douglas has become virtually unknown. Politicians, social reformers, environmentalists, campaigners for ethical investment and those seeking to rescind Third World debt are more inclined to latch on to the work of Gesell and Soddy,[iii] despite their lack of analytical rigour, in preference to embarking upon a systematic study of the extensive works of Douglas.

Douglas' economic analysis has never been presented within the context of past and contemporary schools of economic thought. The value of his work lies in its contribution to the institutional/evolutionary school, now experiencing a revival. Although Douglas' theoretical framework is in accord with that of Veblen, to this day economists fail to address the crucial issues of debt, in its many forms, environmental degradation and international (especially offshore) finance, because they lack the tools to do so. Douglas' theories, developed from within the emerging guild socialist and institutionalist framework, offer the basis for a more structured approach to political economy which has lain dormant for the greater part of the twentieth century.

The fundamental flaw in neoclassical theory lies in its failure to come to terms with the fact that in reality the market is a social institution, underpinned by legal and contractual frameworks which have been negotiated and which can be re-negotiated. Douglas called for a gradual and considered adjustment to the institutional framework underpinning economic activity. His call failed to impress orthodox economists because their traditional theoretical starting point was that no such institutional framework exists. However, over the last decade theoretical orthodoxy has broadened its own analysis to incorporate institutions on the basis of methodological individualism (i.e. they are perceived to be the product of individual optimisation while, once established, their actions can be analysed as rent-seeking behaviour). While preferable to a neglect of institutions, such a perspective is an extraordinarily narrow foundation from which to analyse their operations.

Consequently, economic theory has be-come detached from everyday reality, sanctifying fictions while diverting the attention of political leaders from creating a meaningful analysis of real world phenomena. However, the alternative institutionalist economics requires reworking by refining its theories relating to the role of financial institutions in the processes of production, distribution and exchange over time.[iv] Douglas' writing provides the basis for development of this crucial area of theory.

Analysis of growth economics via the A + B theorem

Douglas' A+B theorem demonstrates the two-dimensional nature of investment, i.e. its demand-increasing and its capacity-creating aspects. In *Credit-Power and Democracy* the theorem is explained as follows:

A factory or other productive organisation has, besides its economic function as a producer of goods, a financial aspect—it may be regarded on the one hand as a device for the distribution of purchasing power to individuals through the medium of wages, salaries and dividends; and on the other as a manufactory of prices—financial values. From this standpoint its payments may be divided into two groups:
Group A - All payments made to individuals (wages, salaries and dividends).
Group B - All payments made to other organisations (raw materials, bank charges and other external costs).[v]

Purchasing power flows to consumers through the A payments. However, all past payments together determine price. Hence 'the rate of flow of prices cannot be less than A+B'. Under a system of multiple-stage production, *at any point in time* commodities on the market will bear the prices of accumulated costs over past periods. If consumer incomes (A payments) are to be sufficient to buy the commodities presently available (created over a series of past periods), *more money must be invested in future production*, so that it can be paid out through the 'factory or productive organisation' in the form of wages and salaries. Current incomes are dependent upon *present* production, whether of consumer, intermediate or capital goods.

In making this observation, Douglas recognised the drive to economic growth inherent in capitalist economies. He was unique in observing that investment does not arise from the saving of a proportion of a finite sum of money. On the contrary money, in the form of financial credit, is constantly created and recreated as debt for the purpose of profitable investment.

Money creation and money circulation

Douglas questioned the assumption that a bank only lends its own and its customers' money, asserting that in fact a bank lends new money. Bank loans create bank deposits. Since bank loans/deposits constitute money, the quantity of money varies according to such transactions. Banking is not 'simply a pawnbroking transaction between borrower and lender ... The question of collateral security is ... quite immaterial; every credit transaction definitely affects the interests of every person in the credit area concerned, either through the agency of prices, or by the diversion of the energies available for productive purposes.' These observations constitute a case for 'socialised credit creation'.

In a barter economy with low division of labour, single-stage production, and exchange based on a double coincidence of wants, demand and supply are readily matched so that general overproduction is impossible. In an industrialised money economy, however, a mismatch is likely unless remedial action is taken. In his debate with J. A. Hobson, Douglas said:

The wages, salaries and dividends distributed during a given period do not, and cannot, buy the production of that period. That production can only be bought and distributed under present conditions by a draft, and an increasing draft, on purchasing power in respect of future production. This latter is mainly and increasingly derived from financial credit created by the banks ... An increase in the money paid this week does not depend at all on the goods which can be, and are, supplied this week, and is not part of the cost of the goods which can be supplied this week.[vi]

As production expands over a period, the money supply is increased, resulting in a higher price level which can be sustained only if the volume of money rises at an accelerating rate. Prices cannot fall below costs plus a minimum of profit in a capitalist economy since profit forms the inducement to produce. Investment increases the capacity to produce over the long run; it expands the community's 'real credit'. Consequently, Douglas noted that technological innovation must lead to rising prices (instead of falling prices as might logically be anticipated), or unemployment and a failure of distribution.

The manufacturing base

The production of manufactured goods at an ever-increasing rate, regardless of their usefulness so long as they are profitable, is the basis of a capitalist economy. Neither the distribution of income nor the exchange of goods and services can occur without the accelerating expansion of profitable capitalist accumulation. This process, as Douglas foresaw, carries three fundamental implications.

First, advances in technology do not achieve a stable level of output consistent with sufficiency of material needs, an increase of leisure and ecological sustainability. On the contrary, the production of commodities needs to increase at an accelerating rate, regardless of any notions of sufficiency and irrespective of the resulting distributional inequalities. It follows that planned obsolescence linked to the generation of new 'wants' through advertising is essential to maintain demand and profitability. As the experience of subsequent decades shows, armaments achieve this end, being immediately disposable once used and frequently rendered obsolete before the point of sale by counter-systems already in the pipeline.

Secondly, as outlined in an article entitled 'Pyramid of Power', published in 1919, extension of the economies of scale inherent in the application of new technologies and the financial mechanisms required by profit constraints inevitably generate a concentration of power at the top of a diminishing number of large-scale, closely linked industrial and financial enterprises whose management becomes increasingly bureaucratic, whether they are owned privately or by the state. Finally, exports become essential not only to acquire imports but also to offload surplus produce in order to facilitate production and exchange on the home market.

Four premises

Four premises underlie the Douglas texts. First, the objective of industrial activity should be the delivery of a sufficiency of goods and services to the consumer, regardless of the profitability of their production to a small section of society. Employment merely for the sake of earning an income, no matter what was being produced, should cease to be an essential feature of the economy. Hence it should not be up to 'High Finance or members of the Labour Party Executive (however great their moral or intellectual qualifications might be)' to appropriate to themselves the right 'to arbitrate on what is or is not "useful work" or withhold a share in economic prosperity from "non-workers" as thus arbitrarily defined.'[vii] The policy conclusion is the payment of a basic income to all citizens, as an inalienable right of their citizenship (the so-called 'national' or 'social' dividend).

Second, 'financial credit', the supply of money, is a 'mere device which can have no significance apart from "real credit" '. The latter is defined as 'the correct estimate of the *ability* to deliver goods and services when required'.

Third, banks and financiers can and do create financial credit. By successful manipulation they appropriate the power resident in the real credit of the community for purposes which are largely antisocial and self-interested.

And fourth, price should be linked to the ratio of production to consumption in such a way as to ensure that neither overproduction nor underproduction occurs. Douglas' A + B theorem demonstrates the finance-driven pressures to economic growth which force expansion of production (and export) of material goods beyond a consumer-defined sufficiency.

In line with these four premises, Douglas and Orage developed the Credit Scheme, first publicised as the Draft Mining Scheme, in the appendix to *Credit-Power and Democracy*. The scheme, which drew from guild socialism, syndicalism and associated traditions, attracted widespread interest, leading to the recommendation that it be adopted as policy by the Labour party. Its detailed proposals for localised control of industrial finance are beyond the scope of this article. However, its repudiation by the Labour party in favour of adherence to capitalist 'business-as-usual' principles had far-reaching implications.

Labour and the Douglas scheme

The rejection of Douglas' proposals by the Labour party in 1922 proved decisive for the subsequent history of guild socialist economic analysis. To Douglas and Orage, as for many socialists at the time, the alternative economic framework presented in the Douglas texts was in close accord with a socialist critique of capitalism. 'Labourism', as promoted by the Labour party, challenged 'not a single proposition of the capitalist system'.[viii] Rather, 'every strike has been a fight for position in the system'. Individuals aspire to positions of status and power *within the system* which they might as socialists be expected to challenge. According to Douglas and Orage, by opting for short-termist class-based politics the Labour party failed to build on the lessons of the 1914-18 war, which indicated how to create a socialist political economy offering the potential for a united society and for international peace based upon the principles of sound finance and local banking.

The abolition of capitalism and its (peaceful) replacement by a guild socialist political economy, as advocated in the Douglas texts, could have proved appealing to the rank and file of the Labour party. As Orage explained in *The Labour Party and Social Credit*, co-authored with Douglas in 1922, such a programme would present 'immediate social relief' with a 'minimum disturbance of existing social arrangements. No attack is made upon property as such ... No confiscation is implied, nor any violent supersession of existing industrial control ... Nor are men expected, as a condition of the practicality of the scheme, to be better than they are.' However, the Fabians were already committed to endorsing, and merely reinterpreting, neoclassical orthodoxy through three decades of intellectual development, crystallised in their sponsorship of the London School of Economics. Pressures from within the Labour party to consider alternative ideas were therefore ignored, so that the 'scheme' was perfunctorily dismissed in a brief report entitled *Labour and Social Credit (1922).*

The report concluded that the Douglas-*New Age* Scheme was 'out of harmony with the trend of Labour thought, and ... indeed fundamentally opposed to the principles for which the Labour Party stands'. The proposals were dismissed in eleven pages, in which the A+B theorem was discounted on the same misunderstanding contained in Ramsey's 1922 analysis. This subsequently became the 'standard misinterpretation'. The concept of producers' banks was declared to be unworkable on the grounds that it did not accord with current banking practice. Part II of the report conceded that the Labour party would not have 'effectively' refuted the Douglas proposals unless it could be shown that the party possessed 'a policy for dealing with the admitted dangers of the control of credit by profit-making interests'. Therefore nationalisation of the banking system and the development of municipal banks was proposed, although how they would effectively alter the relationship between production and distribution was not examined.

According to Douglas and Orage, the effect of the report was to reinforce the capitalist status quo. The operation of orthodox finance in arbitration between costs and price was endorsed, occasional malfunctions in the system being attributed to excessive profits. The report 'goes out of its way to state that, whether sound or not, a scheme which would give the worker higher wages, cheaper living, real control of both policy and conditions, and an incomparably wider outlook on life, and these both at once and progressively, "is fundamentally opposed to the principles for which the Labour Party stands" '.

In Orage's view, the Fabians translated the word 'socialism' to mean 'the Supreme State (to which every man must bow, and by whose officials all human activities from the cradle to the grave, and after, shall be regulated)'. The Fabian faith in the power of central planning, coupled with their close association with the LSE, that 'unimpeachably orthodox institution', may have constituted an obstacle to the abolition of economic conflict. The rejection of the Douglas-*New Age* Scheme by the Labour party in 1922 brought to an end the close collaboration between Douglas and Orage. Orage moved abroad, returning to the UK only briefly before his death in 1934. Although Douglas continued to promote social credit until his death in 1952, the guild socialist context of its origin was neither remembered nor further developed as a body of political economy.

Guild socialist economics

In *'An Editor's Progress'*, published in 1926, Orage refers to Douglas' extension of the guild socialist approach to economics in three key aspects: the spectre of limited production; the relationship between work (employment) and income; and the relationship between ownership and control.

Orage observed that social reformers laboured under the misapprehension that the main problem of civilisation was how to maintain an increase in production in order to meet increasing demands for goods and services. Diminishing production would, it was thought, reduce the opportunity for a more equitable distribution of the products of civilisation. The facts dispel the spectre. Although millions of workers were sent to war in 1914, while vast quantities of armaments and supplies were produced and consumed, 'the net output of England at war exceeded its peace output by several times'. However, normally the world produces only a fraction of its total capacity. Fields, factories and workshops lie idle, while the labour and inventions necessary to use them are also unemployed. The abundance of nature and human invention are well capable of providing enough for all. The problem is not so much how to increase production as how to limit it to a diminishing demand without having devastating effects upon the viability of the economy. The existing price system was incapable of handling inventions designed to increase supply and reduce prices. Indeed, at the end of the First World War surplus stocks presented an obstacle to 'the restoration of the pre-war industrial system'.

The New Age created a 'rumpus in the Socialist and Labour camps' when it first suggested that individual work is not a just prior condition of individual income. By virtue of the common inheritance of past invention and labour, combined with current labour, the community as a whole is 'the ultimate legitimate owner' of the whole productive mechanism. Every individual should be ready to work if called upon from necessity to do so. However, it was logically absurd to require that in order to obtain an income every individual should work, whether or not there was a demand for their services, and whatever their state of health or capacity for employment might be. 'Our simple little proposal to put everybody upon an "unearned income" ' was attacked from all quarters in the labour movement. It did not accord with the programme of 'Labour officials and class-Socialists' who were building their careers on attacks on unearned incomes. Still less did it appeal to the 'puritanic' Webbs to give every citizen their birthright of an annual share of communal production, making further social reform unnecessary. Nor was it attractive to Shaw, with his 'workhouse scheme of a universal dividend in return for a universal industrial service'.

Orage's most significant discovery arising from his discussions with Douglas was the need to distinguish, in an economic sense, between ownership and control. An individual or firm may own a field, a factory, or even their own labour. However, ownership gives economic control only to the extent that the factor of production in question is in demand. Effective demand is determined by price. Price in its turn is determined by financial mechanisms which control the supply and availability of money. Control of the market does not lie with the legal owners of the physical means of production; rather, it lies with the creators of financial credit. The presence (or absence) of finance determines the relationship of supply to demand through price.

The social control of money

A minority of mainstream economists, including Keynes, Hawtrey and Meade,[ix] used theoretical apparatuses resembling that of Douglas in formulating proposals for the efficient operation of the economy. Douglas argued that the substitution of state planning for the large-scale planning of private oligopolistic enterprises provided no remedies in itself. He viewed money as a useful 'ticket system', one which should become dependent upon, rather than be the determinant of, society's priorities. This objective could be approached by the provision of a national dividend to all citizens, linked to the control of material resources and financial credit through geographical location and decentralisation of industry. These proposals relied upon the future development of computing to assess past costs, prices and material levels of consumption. Furthermore, technological developments would facilitate the ability to forecast future requirements at increasing levels of accuracy and sophistication without dispensing with the price mechanism.

As long as 'real credit', the means to maintain life, was controlled by financial credit, the community could be coerced into patterns of production and consumption which failed to preserve the social and ecological fabric upon which all economic activity remains dependent. Douglas advocated a sophisticated form of social planning based upon the manipulation of monetary mechanisms designed to reflect the common claim upon the cultural inheritance. These mechanisms would replace financial speculation for individual profit, offering the potential to achieve social and ecological sustainability.

Conclusion: beyond the growth shibboleth

'I do not regard it as a sane system that before you can buy a cabbage it is absolutely necessary to make a machine gun.' Douglas' comment of the 1930s remains starkly relevant to present concerns. As sea levels rise, weather patterns change and statesmen deliberate about the impact of production, consumption and long-distance transportation upon the planet's fragile ecosystems, the quest for economic growth nevertheless remains sacrosanct. Fear of unemployment fuels demands for government subsidies to BMW for the purpose of retaining production at Longbridge. Sites in Germany, Hungary and North America compete for investment despite the existence of 30 per cent overcapacity in car production in Europe. Governments have to deal with astute, powerful companies, able and willing to move globally according to their own financial interests, while creating more jobs for machines and fewer for humans.

It is very often said that the present crisis is a crisis of overproduction; I have never heard it called a crisis of underproduction (I have heard it called a crisis of underconsumption, but that is a different thing), and yet the financiers, or rather the Bank of England, are saying that the crying need of this country is reorganisation of the productive system. Can there by anything more ridiculous than to suggest that a crisis which is on the one hand described as a crisis of overproduction, should be cured, or could be cured by making industry more efficient, assuming that were to be done?[x]
Over the intervening decades, Douglas' analysis of the role of democratically unaccountable financial institutions in the processes of production and income distribution retains its accuracy. Until or unless financial mechanisms are adapted to provide local control over local production, technological progress will continue to produce jobless growth, bringing escalating environmental destruction coupled with failure of income distribution. Douglas' twin proposals for a national dividend (a form of guaranteed basic income for all) coupled with local producers' banks as outlined in the. 'Draft Mining Scheme', offer the potential for a new power dimension within the economy. Furthermore, measures of this type contain the capacity to provide income security, not only for the unemployed but also for women and ethnic and other socially excluded minorities. A thorough re-appraisal of Douglas' political economy is overdue; not least it could provide a platform, when reworked in the light of contemporary circumstances, for a genuine 'third way' between market allocation of resources and centralised planning.

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i For detailed historical references through-out this article see Frances Hutchinson and Brian Burkitt, The Political Economy of Social Credit and Guild Socialism, London, Rout-ledge, 1997.

ii Thorstein B. Veblen, The Theory of the Leisure Class, New York, Macmillan, 1899, and The Theory of Business Enterprise, New York, Scribner, 1904.

iii Silvio Gesell, The Natural Economic Order, London, Peter Owen, 1958 (first publ. 1934); Frederick Soddy, Wealth, Virtual Wealth and Debt: The Solution of the Eco-nomic Paradox, London, Allen & Unwin, 1933.

iv See e.g. Geoffrey Hodgson, Economics and Institutions, Cambridge, Polity, 1988, p. 5.

v Clifford H. Douglas, Credit-Power and Democracy, London, Cecil Palmer, 1920, pp. 21-2

vi Clifford H. Douglas, 'The Douglas Theory: A Reply to Mr J.A. Hobson', Socialist Review, March 1922, pp. 139-45.

vii Clifford H. Douglas, These Present Discon-tents and the Labour Party and Social Credit, London, Cecil Palmer, 1922, pp. 31-2.

viii Clifford H. Douglas, The Control and Dis-tribution of Production, London, Stanley Nott, 1922, p. 152.

ix See James E. Meade, Liberty, Equality and Efficiency: Apologia pro Agathotopia Meam, London, Macmillan, 1993.

x Clifford H. Douglas, 'Major Douglas at Aberdeen', The New Age, 11 October 1934, pp.271-2.

Subsidising producers so that they can create more goods for which consumers lack income to purchase is lunacy. What is needed is enhancement of consumer income to balance aggregate purchasing power with aggregate prices in each cycle of production.
Wallace Klinck

Extract from

Alternative Ways of Financing Production

Frances Hutchinson and Brian Burkitt

This article first appeared in The European Legacy, Vol. 5, No.2, pp. 207-214, 2000

Money- whence it came
Following Niggle (1990), it is possible to observe the evolution of the debt-based money system in five consecutive stages:

Stage 1: Money is gold, or some other commodity which has value in its own right. It is not created by the financial system, and its supply remains fixed by external circumstances.

Stage 2: When goldsmiths receive gold (already existing money) for safekeeping, they give receipts: they promise to repay the gold in the future. Those receipts can circulate as if they were gold (money) itself. If goldsmiths offer receipts as loans in excess of the amount of gold they hold, they are creating new money *as debt*. A debt-based money system has come into existence, functioning on trust alone.

Stage 3: The practice of banks issuing loan-based money in this way is ratified by the legal system in order to harmonize economic activity- national and international trade. Whether the reserve is gold, or some other form of "currency", is immaterial. Legally sanctioned fractional reserve banking limits the size of total money supply from *outside* the financial system.

Stage 4: Stage 3 places restrictions on the banks. They are limited in the extent to which they can expand their profitable lending activities. They therefore find new ways to make loans. These loans, which include mortgages, overdrafts and credit card facilities, are not even theoretically exchangeable for gold. However, they are profitable to the banks *and* profitable to business enterprise, serving to expand the economy.

Stage 5: For the same reasons as in stage 3, the new forms of loan-created money (credit) are recognized as legal.

In practice, stages 4 and 5 occur simultaneously. It is deemed neither practical nor useful to declare these practices illegal. Such moves would be futile gestures in the path of unstoppable economic progress.

Real and financial credit
The main focus of Douglas' work was on the processes of credit creation by banks and other financial institutions (Hutchinson and Burkitt 1997). Douglas distinguished between real credit, "the probability of the delivery of goods in their various forms," and financial credit, "the probability of the delivery of money in its various forms," (Douglas 1920, 157). Real credit is "social or communal in origin…it belongs neither to the producer nor the consumer, but to their *common* element, the community, of which they each form a part" (Douglas1920, 159, emphasis original). Real credit is the "joint and common creation" of producers and consumers. Money (financial credit) is one remove from goods (real credit), having value only in so far as it in turn is based upon goods. Although there is no *essential* correlation between real and financial credit, in a capitalist economy the latter is the "handmaid" of the former (Douglas 1920, 166).

According to Douglas, real credit is the product of production and consumption, and its source lies in the community as a whole.

By "cornering" money, and by requiring that no real credit shall be employed save in so far as its employment "makes money"; furthermore, by controlling the distribution of money among producers and consumers alike, they [financial institutions] are actually able to control…the whole of real credit, which…is a communal creation and possession. (Douglas 1920, 166)

Douglas proposed the gradual introduction of various forms of producers' and consumers' credits to replace debt-created money. However, in his view, the exact mechanics of credit creation could not be determined until the present nature of the current financial system had been rationally analysed and understood.

The common cultural heritage
According to Douglas, the financial system has evolved in such a way as to enable a small percentage of economic actors to gain control over productive processes, while laying claim to a vastly inequitable share of the real wealth of the economy. Whether the claim is based upon the ownership of capital or labor, there is no moral justification for the appropriation of the proceeds of collective industry for private individual gain. Production is "95 per cent a matter of tools and process" (Douglas 1919,95). Using Veblenian terminology, Douglas observed that "progress in the industrial arts", ie. the development of "tools and processes," forms the cultural inheritance of the community. Hence the community as a whole is the proper administrator of its resources. The collective "cultural heritage," including natural resources, remains the common property of all citizens. People associate together in collective industry to gain the unearned increment of such association, creating goods and services with far less effort than by "individual endeavour"(Douglas1920, 19).

Each individual becomes a "tenant for life" or shareholder in the common property, and the financial system could be adapted to reflect this fact without the necessity for collectivization and state control. Presently, money is created as debt for private profit, whereas it should be created as credit on behalf of the community.

The whole of this article is available on our website: www.douglassocialcredit.co.uk

Current Madness

Wallace Klinck

The so-called financial "crisis" derives from a faulty financial price system which generates consumer prices more rapidly than it distributes incomes--forcing consumers to rely increasingly on creation of new money issued as repayable debt in the form of bank loans. When liquidity becomes eroded to the point where borrowing can no longer be sustained the whole financial edifice collapses like a deck of cards. Mass foreclosure which ensues reveals the confiscatory nature of the financial system, manifesting a tragedy of human effort. In a free society and rational economic system producers should get their money from consumers. Subsidizing producers so that they can create more goods for which consumers lack income to purchase is lunacy. What is needed is enhancement of consumer income to balance aggregate purchasing power with aggregate prices in each cycle of production. This would place consumers in a position to determine the viability of producers. The physical cost of production is fully met as production progresses. There should be no aggregate need for consumer debt whatsoever. If society had followed the Social Credit policy of C. H. Douglas who advocated Consumer Dividends and Compensated Retail Prices instead of the Fabian Socialist Social Debt policy of the late economist John Maynard Keynes none of the current madness would have occurred. We would be enjoying increasing prosperity with falling prices and increasing leisure as should be the case in any modern and civilized society.

> To suggest that guarantees should have been provided for these [financial] institutions is about as sensible as suggesting that guarantees should be provided to punters at the races or provide guarantees to stockholders in the share market both of which are a form of gambling.
>
> *Vic Bridger*

An Aberhart Broadcast

Published in The Social Crediter Saturday, June 26, 1943.

William Aberhart was Premier of the Province of Alberta, Western Canada, from 1935 until his death which occurred very shortly after he made this broadcast, transmitted on 6 May 1943. The Social Credit Government which he led swept to power in 1935, taking 56 of the 63 seats in the Provincial Legislature. Both before the election and during his years as Premier, Aberhart mobilised support for Social Credit ideas and policies through his broadcasts which informed and encouraged the many, many Social Credit study groups which met throughout the scattered population of the province.

The Plan for World Control

A few nights ago I was listening to one of those "quiz" programmes which have become so popular with radio stations; and it struck me very forcibly that it was but another example of how people are being taught today to guess rather than to think for themselves. The kind of questions being asked were: "Who is the Minister of Agriculture?" "Is Moscow further North or further South than Quebec?" and so forth. The participant either knew the answers or he had to guess them. I cannot recall a single question that would have the effect of making people think. Has it ever occurred to you that it is becoming very much the same in regard to all phases of our national life?

For example you will recall the famous plebiscite we had recently in Canada. In it the people were asked a question, the answer to which would not commit the government to any particular course of action. The government refused to indicate what they would do if the people voted either yes or no, hence the people themselves could not possibly tell what would be the result of their decision. They had to guess.

Or take election time. As a general rule the candidates of all parties came forward with their platforms all nicely dressed up to catch votes. The people are not asked, "What do you want? Do you want security in terms of more goods and better homes? Do you want these without regimentation and bureaucracy so that you may enjoy the maximum of freedom? Do you want freedom from debt and over-burdening taxation?" Oh! No, no! they are not given the opportunity of voting on anything so straightforward as that. They are asked to vote on tariffs or free-trade, on compulsory unemployment insurance under one party's bureaucracy or another party's bureaucracy, or whether they want industries nationalised, or would they prefer an international police force. In this way complicated and technical questions are put before the people, without giving them the proper information upon which to form sound opinions regarding what the results would be for them if these things were done. In other words—they have to guess.

That *is* the kind of thing that is going on all the time. People are being discouraged from thinking. We are being drilled into becoming a nation of guessers—and as the men who manipulate the situation from behind the scenes know all of the answers, and the necessary information is carefully withheld from the people, the manipulators are always right and the people generally guess wrong.

Nowhere is this more strikingly demonstrated than in regard to the stuff that is dished up to us as news. Tonight I propose to deal with just one example, to show you the dangerous intrigue that is being perpetrated right under our noses.

Suppose that you pick up your newspaper some evening and read bold headlines such as these: "World Totalitarian Dictatorship by Finance Proposed as New Post-War Order – Confidence Expressed British Empire and American Governments Will Be Hoaxed Into Acceptance of Plan." What would be your reaction to that news? Would it make your blood boil? Would you feel indignant that anybody should dare to put forward treason like that while your son or your brother or your husband is over there risking his life for the ideals of democracy and our traditional British freedoms?

Well, my friends, let me tell you frankly, you have read that news in your papers, but it was not stated nearly so boldly. Possibly because what you read was complicated or was couched in altruistic language, and since you had no definite information on which to form an opinion, you just had to *guess* what it meant. And you probably guessed that there was nothing very sinister about it. That is what you were intended to do.

A short time ago you may remember reading in your newspaper that plans for an International Monetary Reform were published on the same day in both London, England, and in Washington, by the British and the United States Governments. These two plans were presented in the newspaper reports as simple and innocent expedients for making it easier to re-establish international trade after the war—a most desirable and worthy objective.

Strange as it may seem, though, the so-called British and American plans were supposed to have been drawn up independently, they were basically similar, and both were made known to the public on the same day. This would tend to impress the people with the spontaneity of agreement and the unanimity of purpose in the whole matter. It was another of those strange coincidences like the similarity of the Beveridge, Marsh and N.R.P.B. plans of social security which were offered to the public within a few days of each other and were identical in their main features. Well, I tell you frankly I don't believe in coincidences of that kind. They are too weird to be genuine.

Let me draw to your attention some of the main features common to both the British and the American plans for an international money system. Both advocate setting up an international unit of money, based on gold. In one case the name "Bankor" is suggested; in the other the term "Unitas" is put forward. But what does the name matter anyway, since both plans involve control of the international money system by an international authority, which will likewise control international trade? You see it is all international—centralisation of power, etc. Both plans suggest that some such system should be set up *in a hurry.* Both plead its necessity on the grounds that it is essential for the purpose of averting confusion in world trade after the war. How plausible! How persuasive! "Will you come into my parlour said the spider to the fly," sort of manner.

Lord Keynes, a director of the Bank of England, is reputed to be the author of the British scheme. He is reported as having stated that such an international monetary system might be used to finance a World Police Force. All Totalitarian Powers evidently need a Gestapo. We are not told who was the author of the American plan. On the face of it there seems to be nothing in those schemes to unduly alarm people, does there? But that is only because the people haven't the information which would enable them to understand what an international money system controlled by an international authority, backed up by an international Police Force, would mean to them.

Listen carefully, Ladies and Gentlemen! For the past three years—in fact ever since the outbreak of war—there has been a steady stream of propaganda, carefully organised and well financed, to win support for setting up a World Federation of Nations under an International authority, to which all Nations would surrender control of finance, international trade, their armed forces and their citizenship rights. How long is it going to take for the people to realise what is going on and what it will mean to them?

In the first place it would mean that the people of Canada would no longer be sovereign. They would no longer be the constitutionally supreme authority in their own country. By giving over control of finance to some alien dominated international dictatorship, they would be giving that authority complete control over every aspect of their national life. You see, control of finance would mean control of the money system—and that in turn controls every phase of production and distribution. Stripped of all its camouflage, the final result will be a slave state, worse than anything as yet proposed by our bombastic dictators. Is that what our brave soldiers are fighting and dying for? Do you, as a true Canadian, desire such conditions? Then I ask, what are you *doing* about it?

Now is the time to act. If we wait until the bonds are welded and this dreadful totalitarian order set up, the people of Canada will then be helpless to do anything about it if they do not like the harsh conditions that are imposed upon them. Remember that in addition to control over finance, the international authority would also have control over the Armed Forces and the citizenship rights. If any individual dared to challenge the authority of the international dictatorship he might find that they had deprived him of his citizenship rights. And if the people as a whole started to kick over the traces—well, they would be un-armed and helpless while the international over-lords would have control of all the Armed Forces and the World Police Force. So it would be just too bad for the people.

Do you consider it fantastic to imagine that anything like that could happen? How can you when the very idea I have outlined has been put forward seriously as the basis of our Post-War Order?

Published Plans
In the first instance, two books on the subject were published. One of these was written by a man connected with a newspaper which, on the evidence of a British Ambassador to the United States, was controlled by the banking institution that is the Headquarters of International Finance. The other book was by the son of one of the founders of the Money Power on this continent. There is absolutely no question about it that this plot, this evil conspiracy—to set up an international totalitarian dictatorship with control over every aspect of our lives and armed with overwhelming forces to impose their will upon us, can be traced to that small group of men which comprise International Finance.

If ever that scheme should be put over, it would mean the end of democracy, the end of the British Empire, the end of freedom. On the other hand, it would be the establishment of a World Slave State more ruthless and vile than anything which the evil genius of the Nazis have (sic) as yet conceived. Yet poisonous propaganda in favour of this diabolical idea is being openly scattered far and wide in Canada—and that in wartime also. I assert that it is treachery of the worst kind that, even while all the suffering and sacrifices of this present war are going on to overthrow totalitarianism, anyone should even suggest that we do away with all that our brave lads are fighting to defend.

It is most important that we realise that the proposals for inveigling us into an international dictatorship are not put forward in an obvious, above-board manner. No, indeed! They are carefully wrapped up in an attractive, and subtle propaganda form. You are told that international control of money is a means for ensuring orderly world trade. You are not told that immediately you hand over constitutional control of finance to an international authority, it will be impossible for the people of Canada ever to change their unsatisfactory monetary system. That fact is kept hidden.

Again, you are told that international control of the Armed Forces is necessary to maintain world peace. The plausible term used to describe it is (sic) an "international police force." It sounds more innocent. You are not told that such a force would place the people of all nations completely at the mercy of the international authority which controlled that force.

And remember where you have· a concentration of power in a few hands, all too frequently men with the mentality of gangsters get control. History has proven that. As the British peer, Lord Acton, put it so aptly: "All power corrupts; absolute power corrupts absolutely."

I warn you, Ladies and Gentlemen, with every ounce of sincerity and vehemence I possess; for your own sake, for the sake of the brave lads who are fighting so heroically to overthrow tyranny, for the sake of your children, for the sake of the future of our country—yes—for the sake of everything you hold dear, oppose, expose and resist by every means in your power this audacious and evil conspiracy by the Money Powers to set up a World Slave State.

And now before I close, may I once again thank all of you who have written to me, and who have contributed to these broadcasts during the past week. You will be glad to hear that our radio fund is building up nicely, but we have not yet reached the point to undertake the more ambitious programme to which I referred last week.

I hope that, if these broadcasts are giving people the satisfaction which the increasing number of letters indicates, the time is not far distant when all who listen to them will be sharing in their cost.

I feel with all the fibre of my being that this question of Post-War Reconstruction is so urgent and the situation which is developing is so critical that it will require a supreme effort by us all, working together, to meet the problems we face.

I will be on the air again one week from tonight over this same Station at the same time. Until then I bid you goodnight, Ladies and Gentlemen.

> So far from taxation being a natural and inevitable state of affairs, it is an inversion of the facts. The State should give, not take away.
>
> *C H Douglas*

Distribution – the Social Credit Way

Wallace Klinck

Social Credit policy is to enhance the effective purchasing power of all citizens, rich and poor, so that aggregate consumer income is sufficient at all times to allow society as a whole to purchase the entire product of industry at point of retail sale. Social Credit policy is not *redistributive* but rather is pre-emptively *distributive* without taking from anyone. While it is true that the benefits of industrial activity would flow via the Consumer Dividend and Compensated Price to all citizens and the level of security most certainly would increase for the masses at large, no redistribution of income of wealth is contemplated or intended in the Social Credit proposals. The Cultural Inheritance is inalienably the property of all citizens of all stations in life and this guarantee falls in the area of an absolute constitutional right, intrinsic to natural law, which in no way whatsoever is subject to negotiation or arbitrary political decision-making or chicanery. Additionally, Social Credit does not contemplate a society in which workers would be producing in a phrenetic manner all they could produce. The volume and quality of production would be functions of expressed consumer demand and the desire of citizens for leisure time.

Wallace Klinck was born in the Province of Alberta in 1934, during the Great Depression and Social Credit ferment in the Province which led to the election of the world's first "Social Credit" government in 1935. He lived his early life in a Canadian Social Credit "milieu", and is a lifelong student and promoter of Social Credit philosophy and policy.

The Tragedy of Human Effort

C. H. Douglas

Notes for the address delivered at the Central Hall, Liverpool, on October 30th, 1936.

I suppose that there can be few amongst those of us who think about the world in which we live, and, perhaps, fewer amongst the more obvious victims of it, who would not agree that its condition is serious and shows every sign of becoming worse. Many must have asked themselves why the ability of scientists, organisers or educationists, brilliant and laudable in essence, seems to lead us only from one catastrophe to another, until it would appear that knowledge, invention, and progress, so far from being our salvation, have doomed the world to almost inevitable destruction.

How is it that in 1495 the labourer was able to maintain himself in a standard of living considerably higher, relatively to his generation, than that of the present time, with only 50 days' labour a year, whereas now millions are working in an age of marvelous machinery the whole year round, in an effort to maintain themselves and their families just above the line of destitution? Why is it that 150 years ago the percentage of the population which could be economically classed as of the middle and upper classes was two or three times that which it is at the present time? Why is it that while production per man-hour has risen 40 or 50 times at least in the past hundred years, the wages of the fully employed have risen only about four times, and the average wage of the employable is considerably less than four times that of a hundred years ago, measured in real commodities? How is it that the nations are given over to the dictatorship of men of gangster mentality, whose proper place is in a Borstal institution?

I have very little doubt that there are numbers of people in this room who could at once give a correct general answer to the preceding questions, and that it would take the form of an indictment of the financial system; and I should, of course, agree with this answer up to a certain point. They might add that no inventor is left in control of his invention, and that the financial octopus seizes everything with its slimy tentacles and turns it to its own use. But I do not think it is the kind of answer, however sound it may otherwise be, of which one can make a great deal of use in that form.

You would find if you were to go outside the ranks of those who agree to it, a number of additional answers not in themselves any more valuable from the practical point of view, but which deserve some consideration if only by reason of the frequency with which they are advanced. There is, of course, the well-known and somewhat discredited suggestion that the inherent wickedness of human nature is at fault, and a change of heart is required, a suggestion, which, taken by itself and without qualification, seems to me, in view of its impracticability, to be the most pessimistic utterance which it is possible to make upon the situation. And there is the common tendency to rail at politicians and statesmen.

In a recent article from the pen of Dr. Tudor Jones, amongst which much is worthy of the attention of us all, there is a statement, no doubt specially valuable as coming from a biologist, to the effect that there is no evidence whatever to suggest that the human being of the present day is in any essential cleverer or more able than the human being of six or seven hundred years ago. I am particularly interested in this, because I have recently had access to some charters and other similar documents affecting the affairs of Scotland from the thirteenth to sixteenth centuries, which seem to me to possess an understanding of the realities of statesmanship at least as great as is evidenced at the present time. I am confident that the principles which ought to govern the management of the affairs of this world have been available for many centuries, and have been obscured to such an extent that the community's intelligence upon such matters is probably less now that it was a thousand years ago. For this reason, I trust you will bear with me if I endeavour to put to you my own understanding, in modern language, of these ideas.

Principles of association

The first proposition which requires to be brought out into the cold light of the day, and to be kept there remorselessly, at the present time in particular, is that nations are, at bottom, merely associations for the good of those composing them. Please note that I say "at bottom." Association is at once the direct cause of our progress and of our threatened destruction. The general principles which govern association for the common good are as capable of exact statement as the principles of bridge building, and departure from them is just as disastrous.

The modern theory, if it can be called modern, of the totalitarian state, for instance, to the effect that the state is everything and the individual nothing, is a departure from those principles, and is a revamping of the theory of the later Roman Empire, which theory, together with the financial methods by which it was maintained, led to Rome's downfall, not by the conquest of stronger Empires, but by its own internal dissensions. It is a theory involving complete inversion of fact, and is, incidentally, fundamentally anti-Christian, in that it exalts the mechanism of government into an end rather than a means, and leads to the assumption that individuals exist for the purpose of allowing officials to exercise power over them. It is in the perversion and exaltation of means into ends in themselves, that we shall find the root of our tragedy. Once it is conceded that sovereignty resides anywhere but in the collection of individuals we call the public, the way of dictatorship is certain.

If you agree with me in my views of this matter I shall not have much difficulty in carrying you with me to an agreement that the totalitarian state is more or less universal at the present time, although its form varies. Of its more crude and undisguised aspects, Italy, Russia and Germany are examples which occur at once to the mind. But it must be obvious that we are, in Great Britain, merely servants of an insolent and selfish oligarchy, which uses us and the scientific progress we inherit for purposes far from those which would be chosen by us as individuals. Such a state of affairs as we work under could be justified only if we had indisputable evidence that the organisation was controlled by the wisest and most beneficent of the race. I doubt if we are prepared to admit that.

Reverting to the question of culpability for the perversion of human effort which is so plainly evident, there is a strong tendency to suppose that a statement that the financial system is at fault, especially if accompanied by suggestions for its reformation, may be regarded as covering the ground of the problem. So far from this being so, the second proposition that I wish to emphasise to you, with no suggestion of its novelty, but a strong insistence upon the difficulty of obtaining recognition for it, is that action on or through an organisation involves three ideas – the idea of policy, the idea of administration, and the idea of sanctions, that is to say, power.

Because administration is the most obvious of these ideas, Socialism, so-called, has tended to concentrate upon the glorification of administration, which, to my mind – because of the increasing pressure of Socialist ideology upon Government action – is a complete explanation of the ever more disastrous results in increased bureaucracy and other undesirable features from which we all suffer.

Policy, Administration and Sanctions

Now, while no action involving co-operative effort can take place without the presence of these three factors of policy, administration, and sanctions, and therefore they are all essential, and, in a sense, equally important, the first of them in point of time must be policy.

In regard to the objective of policy, as applied to human affairs, I can say nothing to you which has not been better said by the great teachers of humanity, One of whom said, "I came that you might have life and have it more abundantly." So far as I am aware, no great teacher of humanity has ever announced that he came that we might have better trade or more employment, and I am wholly and irrevocably convinced that while we exalt a purely materialistic means into an end, we are doomed to destruction. In other words, the aim of the human individual is ultimately a totalitarian aim, a statement which, if it is correct – that is to say, if it is true that our best interests are served by our ultimately taking a general and effective interest in everything – is, in itself, the negation of the idea of the totalitarian state. There is an old and very true saying "Demon est Deus inversus" – "the devil is God upside down" – and many phenomena in the world confirm it.

In regard to administration, I do not propose to say very much beyond the fact that it is and must be essentially hierarchical and therefore it is a technical matter in which the expert must be supreme and ultimately autocratic. There is more accurate and technical knowledge of administration in any of the great branches of scientific industry than there is in all the socialistic literature or bureaucracies in the world. The foundation of successful administration, in my opinion, is that it shall be subject to the principle of free association, which will, in itself, produce in time the best possible form of technical administration. If the conditions of work in any undertaking, and the exercise of authority are ordinarily efficient, and there is in the world any reasonable amount of opportunity of free association, such an undertaking will automatically disembarrass itself of the malcontent, while being obliged to compete for those whose help is necessary to it. On the other hand, if there is no free association, the natural inertia of the human being and the improper manipulation of methods and aims will make an undertaking inefficient, since there is no incentive to reform. The idea that administration can be democratic, however, is not one which will bear the test of five minutes' experience. It may be consultative, but in the last resort some single person must decide.

But, at the present time, there is no question that it is in the domain of sanctions that the human race is involved in its great difficulties. Although the idea may be repulsive to many who have not faced the realities of life, physical force is the ultimate sanction of the physical world. Moral, intellectual, and emotional considerations unquestionably go to the determination of the use and direction of physical force, but, in the last resort, the last squadron of bombing aeroplanes will have its way when all the navies, armies, and aerial fleets of the world are destroyed, and in the last event the problem of sanctions is to obtain control of that last squadron.

So far as the present situation is concerned, the regular forces of the realm are the last sanctions of law and order within the realm, and law and order can be identified with the operation of the financial system as it exists at the present time. *There is no serious financial reform which can be inaugurated within the framework of the present legal system, except by those in control of the existing financial system. There is no intention whatever on the part of those in control of the existing financial system to change that system to their disadvantage, and there is no effective change to the financial system which can be made without depriving its present controllers of their absolute power.* I believe the foregoing statements to be axiomatic, and any form of strategy or argument which traverses any of them would certainly seem to me to be lacking in realism.

The remainder of this speech will be included in the next issue of The Social Crediter.

Book Review

The Politics of Money: Towards Sustainability and Economic Democracy
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Conventional economics is now under challenge from a broad constituency of social justice and environmental activists… Indigenous peoples are struggling against imposition of a neocolonial monoculture; and Green parties are looking for non-exploitative and sustainable alternatives for rebuilding local communities exhausted by global capitalism.

In this open season, *The Politics of Money* by Hutchinson, Mellor and Olsen is a welcome contribution from three British women with backgrounds in political economy and sociology. The book traces the history of liberal economics from Say to Keynes, explains Marx on capitalism and Veblen's leisure class analysis, introduces the tradition of guild socialism and Douglas's (1979) concept of social credit, and exposes the emptiness of the Blair government's Third Way and social capital rhetoric. As the authors point out, in seeking future political alternatives, it is crucial to be aware of earlier radical traditions—what has worked and what has not. In this respect, the book provides a useful literature review and relatively painless entry to economics for the uninitiated, although the exposition of social credit could have been a little less technical perhaps.

A central theoretical concern of *The Politics of Money* is the way in which capitalist economics, tied to the medium of money, is disembedded from its social and natural basis. This disjunction results in problems of incommensurability between the cycles of ecology and those of economics. Money has evolved into the measure of all value, yet it destroys substantive value. Again, in the self-contradictory manner of classical liberal economics, the circulation of money is both abstracted from any historical context and yet simultaneously theorised as a "natural" system. But the ideology of liberalism is crossed by a further contradiction, in that this "natural economic system" is supposed to be the outcome of "rational human choices." The scientised aggregate of these choices is known as the "invisible hand" of the market, although, as the authors suggest, it works more like an elbow!

Thus, at the turn of the millennium, ever more people are landless, unemployed, hungry, and injured by capitalist weapons of mass destruction. Meanwhile, foreign exchange transactions are counted at 150 times the international trade in all commodities, manufacture and services (P 55). The irrationality of capitalized production is underlined further in this quote from Pretty (2001):

"We actually pay three times for our food—once over the counter; twice through our taxes which are used largely to support one type of farming; and thrice , to clean up the mess caused by this method. (p 8)…Pretty calculates that the total externalized costs of UK agriculture(damage to air, water, soil, biodiversity and landscape and to human health through the effects of pesticides, nitrates, micro-organisms, and other disease agents including BSE) were, at a conservative estimate,£2343 million in the United Kingdom in 1996." (p. 171)

Hutchinson et al. write, "Money is man-made. We use the male pronoun consciously" (p. 220). Even so, theirs is a very muted gender critique. They note that the origin of banking, loans, and the characteristic capitalist phenomenon of permanent debt evolved from evolved from the process of financing the military campaigns of kings. Today the U.N. System of National Accounts—formulæ used by governments across the globe—is still geared to a war economy. An unusual aspect of this book is the attention given to Veblen's (1953) sociology and his claim that capitalist culture relies on patriotism and army discipline to maintain materialist expansion and to secure the obedience of workers (p. 108). A protofeminist in some ways, Veblen also appreciated the role of domestic labor in capital accumulation (p.100). How could that be, if women's work is not counted in economics? The ecofeminist answer is that the environment and human bodies need to be recognized as the ultimate sources of wealth. Globally, women's domestic labours bridge the material spheres of humanity and nature.

The authors define capitalism as "the enclosure not only of land but also of tools and knowledge for the purpose of private financial gain" (p. 80). But they point out that the old-style workerist strategy of capturing the means of production is not a radical solution (p. 84). Rather they argue that what Marx actually had in mind was the end of wage labor itself. Even so, with his revolutionary focus on dismantling existing forms of private ownership, Marx condemned the cooperative ventures of his own time as utopian. The dismissal of these initiatives, which had begun to dual power capitalism as alternative economies, was a lost political opportunity according to Hutchinson et al. and another soon followed:

Social credit was the economics of guild socialism, a founding strand of the UK Labour party....It is, perhaps, idle to speculate what might have happened to socialism in Europe had the UK Fabians not set up the London School of Economics in order to teach aspiring Labour politicians businesslike and politically correct "marginalist" neo-classical economic theory (p. 220)

The ecopolitical reasoning in this book enlarges on the ecofeminist interest in reproductive labor and provisioning for subsistence. Here, a politics centred on the "right to livelihood" replaces the "right to work" (p. 99). This revisioning of earth's household—oikos—rejects contemporary writers on ecological economics such as Daly (1993), Ekins (2000), and Douthwaite (1999) as too locked into the institutional status quo. As the authors argue, only small-scale, hands-on approaches to meeting daily needs can dovetail with the cycles of biological time and so preserve the integrity of the humanity-nature nexus. There follows an appraisal of LETS, Mondragon cooperatives, the Basic Income, Jubilee 2000, and Micro Credit schemes, but Hutchinson et al. are not committed to a set template. They believe people should design new forms of local provisioning, taking into account the specific constraints of their habitat and expressing their own cultural preferences. There may still be trade in exotics and some mass production, but economic decisions should be local, guided by the logic of diversity and security rather than the corrupt principles of monoculture and market growth. All of this makes good reading for those of us committed to grassroots social change and democracy.

Ariel Salleh
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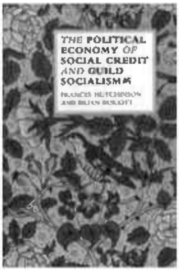
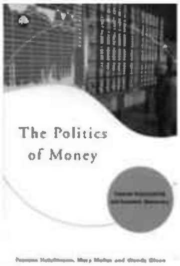
Recommended Reading



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

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Frances Hutchinson
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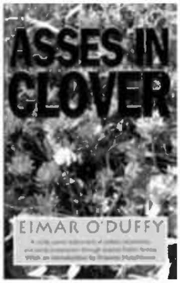

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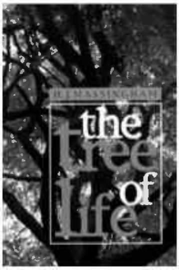

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(It would be very helpful if material were submitted either by e-mail or on disk if at all possible).