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***In this issue:***



# *Editorial*

Humanity presently exists under a world economy that is firmly in the grip of finance. Everything we do, everything we know, everything we eat, in short our entire viability as material beings, depends upon the availability of money. And yet, if pushed to explain what money *is*, and why exactly it has a hold over every minute of our waking lives, we are confused. We switch off. Although the subject is crucially important, it is beyond our comprehension.

Whether we like it or not, whether we see it or not, whether we just turn a blind eye to reality and carry on with business-as-usual, does not change the facts. The truth of the matter is, all the institutions through which we live, work and think together are governed by finance.

As the financial institutions of the world lurch from crisis to crisis, as war, poverty, environmental desecration and civil malaise become increasingly rampant features of everyday life, a few brave souls turn to professional economists for illumination. The answer top economists give is as follows.

If employers do not invest financial capital in factories and offices (say the economists), and if they do not fill those buildings with the machinery, raw materials and labour necessary to produce goods and services for sale on the market, the economy will grind to a halt.

"Why are people employed?" says the economist, "Simply because someone with money saved from personal consumption employs them to produce something he can sell at a profit. If there were no incentive to such people to save and invest their money, there would be no employment for anybody. We should simply stand about with our hands in our pockets and starve to death. That was what actually happened in primitive times. There were no capitalists to employ the people, so they just sat down and died.

"Suppose a party of people were wrecked on a desert island, what do you think would be the first thing they would do? Obviously, they would look around for a man with money to employ them in gathering fruit. If there were no capitalist among them, or if he didn't see his way to make a profit out of the business, they would all remain unemployed and starve to death, no matter how fertile the island might be. If therefore we want to have plenty of employment, we must give every possible incentive to entrepreneurs – encouraging them to get as much money from us as they can, so that they can spend it on employing us to make more for them."[i]

That is how the money economy works, according to professional economists. It matters not whether we work for a private employer, for a massive corporation or for the State, more employment means more production of goods and services to be consumed. By implication, the more production, the better off is humanity as a whole. It all hinges on the availability of finance.

Economists explain the financial economy as if it was a natural phenomenon, like the weather, in which air currents float about carrying rain or blowing away the clouds to reveal sunshine. They do not explain what money actually is, still less how working for a money wage, salary or dividend relates to production of the necessities and luxuries of life. Quite clearly, the availability of money, finance, on the hypothetical desert island would not make the slightest difference to the availability of fruit on the trees.

The Social Credit analysis starts from the premise that there are two economies, not one. The real economy has existed as long as humanity has walked the face of the earth. People have gathered fruit, dug the ground, planted, tended and harvested crops, created clothing and shelter, reared the next generation to whom skills have been passed on, and so on. History books are packed with the stories of how the powerful individuals have conquered and enslaved or oppressed others. But the story of the peaceful co-operation of people living on the land, according to traditional farming cultures is scarcely documented at all in official political or economic histories.

The real economy, based upon the combination of natural resources with human skills and labour, has taken many forms throughout history. Although it remains *the* vital necessity for the survival of humanity – you cannot eat finance - it is currently under threat because, as farming is converted to cash cropping (soil mining) the financial institutions create havoc with traditional farming cultures. Social Credit seeks to use finance to preserve and enhance the real quality of life, using the very best, but also most appropriate, of the new technology.

Unchecked, finance looks set to wipe humanity from the face of the earth. Common sense suggests that the time has come to examine the origins of the financial institutions which currently hold so firm a grip upon the political economy in general, and the everyday lives of each one of us in particular.

We have therefore put together a small booklet on the evolution of national central banking institutions over modern times. The Bank of England was set up to secure money lent to the monarchy. The loan, necessary to finance war to secure the monarchy, was lent by private individuals on the security of the taxation of citizens throughout the land. In this way the payment of the interest on the National Debt was secured, establishing a precedent over the centuries to come. The story of social change necessary to introduce the money economy is outlined in *Down to Earth: A Guide to Home Economics* (available from www.douglassocialcredit.com ). Your observations, questions and comments would be most welcome.

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i Quotation taken from Eimar O'Duffy, *Asses in Clover* (2003 edition)

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# Ploughshares into Swords

*Frances Hutchinson*

According to orthodox theory, economics is about choice. The citizen leaves the household and goes to work in a factory or firm. He is rewarded with a money income in the form of a wage, salary or dividend. He takes the money income to the market, and buys those material rewards he desires. He finds no intrinsic value in working. All his satisfactions come from spending on those things he desires. According to how citizens spend their money, they call more of those particular goods into production. Orthodox theory does not explain why farms producing good, wholesome food struggle to survive financially, whilst manufacturers of armaments and weapons of mass destruction are a highly profitable form of investment. All it can say is that individual economic agents choose to demand that their governments tax the workforce to pay the interest on the National Debt so that it can equip the military forces for war.

Hence in order to understand how the modern money system actually works, it is necessary to set aside orthodox economic theory. It works in theory, but not in practice.

**The traditional household**
Before the twentieth century, the vast bulk of humanity grew to maturity within self-sufficient peasant households living off land. Urban elites formed a tiny proportion of the whole of humanity. Until very recent times, within living memory, across the 'underdeveloped world', the 'Second World' of Eastern Europe and the so-called 'Third World', if left undisturbed, the peasant household could produce a comfortable sufficiency from the lands allocated to them by tradition and/or according to a variety of land tenure patterns. Skills were passed on from generation to generation – the farming of the land, building, weaving, pottery, metal working, the making of carts, and ploughs, ships, boats, furniture, medicines and so on. Certain specialisms were undertaken, but a host of skills were held in common, including the arts, sciences and stories of the local clan, tribe or village community.

With increasing frequency over the modern period, and most especially in the twentieth century absentee landlords took over ownership and control of the land, disrupting traditional patterns of land use and causing landlessness and famine. As peasant farmers were driven from their land, people went to work in the factories which characterised the industrial revolution. Today it is no longer common practice to grow up in a peasant household, learning the practical and social skills necessary to live in a traditional farming community. Instead, children go to school to learn how to go to work to 'earn' a money income from the vast network of institutions known as 'the economy'.

**Division of labour**
Orthodox economics texts follow Adam Smith's *The Wealth of Nations*, in the quest to explain how working together in a factory increases total output exponentially. One man, sitting at home in a traditional household would be hard pressed to fashion a single pin[i] in a day, "and certainly could not make twenty". Given "the necessary machinery", however, the process can be split into ten stages, so that ten men "could make upwards of forty-eight thousand pins in a day". That is, by dividing up the labour, using complex machinery, and only performing one operation each, each man could produce "four thousand eight hundred pins in a day".

In terms of orthodox economics, the workers are duly rewarded with incomes, given as wages, the reward for, or 'return' on, their labour. However, they are not due the full sales value of 4,800 pins each, because a capitalist must first supply the factory and the complex machinery, plus the fuel and raw materials to feed into and drive the machines. And the product must be marketed and transported to its final destination – the consumer. Economic theory has ranged across various permutations of rewards to 'labour' and to 'capital'. Experiments in 'communism' and various modes of cooperative production can be found in the copious literature on political economy.

In the quest to understand the present institutional framework under which humanity presently earns its daily bread, the new *Home Economics* takes a few steps back. It is necessary to view the structure of the processes whereby people cooperate in economic institutions in order to 'earn a living'.

In creating his 'division of labour' analysis, Adam Smith presupposes a host of very significant facts. The "necessary machinery" must itself be designed and produced by individuals who are not part of the pin factory. The workers must be reared to maturity, educated, fed, housed, clothed, entertained and so on so that they can present themselves for 'work'. Furthermore, the engineering skills, of using fire, metals, fuels, transportation systems and all that underpins the process of production, were invented by countless individuals, only an insignificant proportion of whom are living today. And last, but not least, all the workers in the pin factory - *and workers in all the other factories necessary to supply it with the wherewithal for production* – must be motivated and organised to go to work to produce the goods and services necessary to keep the pin factory operational.

The question then arises – who really wants or needs 48,000 pins a day? As a general rule, peasant farmers[ii] are content to enjoy working on their own land, at their own pace, using their own skills and knowledge to cooperate with other households in the locality on their own terms. Few opt from choice to spend all day, every day, performing a single routine task in the vast web of production, distribution and exchange. Work done merely for a money reward is intrinsically unrewarding. Although the assumption is that more production means more wealth for everybody, Adam Smith never explained why it was suddenly necessary to massively increase the output of 'pins' for the shipbuilding industry.

**The soldier and the dark satanic mill**
A thoughtful read of the history of the industrial revolution shows that the factory system did indeed make life nasty, brutish and short for the common people. What they wanted was food, shelter and clothing, a job to do and pride in a job well done. What they got was work under unimaginably degrading conditions. Long hours almost literally chained to machines, long hours of boring, repetitive machine-minding for a pittance that barely kept body and soul together. For the vast army of landless labour – men, women and children flooding into the urban centres, the alternative to becoming a wage slave in factory, mine or gang of navvies was to enter military service. Family histories record the fate of very young men caught up in the wars fought by powerful leaders of powerful nations.

The connection between the military and economic growth is rarely, if ever, explained in the textbooks. 'The economy' is based upon a system of central banking which evolved from placing the responsibility for the National Debt upon the shoulders of the taxpayer. The 'National' Debt was not incurred in order to provide for social needs in terms of health, education or infrastructure. It was not even incurred to provide military defence of the nation. On the contrary, it was incurred to finance the seizure of the British throne by a foreigner, William of Orange, who was planning to invade the country anyway. A casual check of elementary history books verifies this highly significant fact. William of Orange was crowned King of England, Scotland and Ireland in 1689. And the Bank of England was set up in 1694 to enable William III to protect his monarchy from challenge from the allies of James II, the rightful King of England, Scotland and Ireland. The sum of £1.2 million was necessary to rebuild the British navy after defeat at the Battle of Beachy Head. This is how Wikipedia describes the consequences of the Battle of Beachy Head.

England's crushing defeat by France, the dominant naval power, in naval engagements culminating in the 1690 Battle of Beachy Head, became the catalyst to Britain rebuilding itself as a global power. England had no choice but to build a powerful navy; as there were no funds available, in 1694 a private institution, the Bank of England, was set up to supply money to the King. £1.2m was raised in twelve days; half of this was used to rebuild the Navy.

As a side-effect, the huge industrial effort needed started to transform the economy, from iron works making nails to agriculture feeding the quadrupled strength of the Royal Navy. This helped the new United Kingdom – England and Scotland were united in 1707 – to become prosperous and powerful. Together with the power of the navy, this made Britain the dominant world power in the late eighteenth and early nineteenth centuries while France remained the world dominant military power during this Napoleonic period, particularly on the continent.[iii]

The history books verify this neat summary of economic development. The industrial revolution in Britain, and the rise of the British Empire, occurred for reasons which are never explicitly stated in the text books. At the Battle of Beachy Head 'England' was defeated by her former ally, France, who was fighting against England's former enemy, William of Orange, who had usurped the throne with the connivance of the 'Immortal Seven', the Earls of Danby, Shrewsbury, and Devonshire, the Viscount Lumley, the Bishop of London (Henry Compton) and Edward Russell. According to official accounts of history, 'England had no choice but to build a powerful navy". This raises several intriguing questions. Who benefited from subsequent developments and who paid the costs?

To recap so far – the legitimate, crowned King of England, James II, was deposed by a powerful group of his own subjects because he had Catholic leanings. The cry of "No Popery!" called the Protestant William of Orange (who was conveniently married to the legitimate king's daughter) onto the throne. By 'popery' was meant the authority of the Church on religious matters, specifically on the issue of usury, the making of money out of money. The industrial revolution was founded on the 'necessity' to legitimise the secular authority of the rising commercial class, the bourgeoisie.

In order to supply the money necessary for the English government to wage war in defence of the new (constitutional) monarchy they had set up, the Bank of England was established as a private institution in 1694 by a number of private individuals. The subscribers of the loan were incorporated as shareholders of a new 'joint stock bank'. Parliament granted the new bank a monopoly as a banking corporation, with limited liability for its shareholders. The finance loaned to the government to fight wars, known as the National Debt, was, and is still, owed to individuals, foreign governments and international institutions. The interest on the National Debt is paid to those individuals and institutions, through the medium of taxes raised on the population as a whole.

Thus industry and agriculture were transformed to supply the wars necessary to establish the British Empire and its rivals across the world. Throughout the history of modern times, whole families have been driven from the land, to be employed in the industrial system or 'deployed' in the military forces. From the outset, work in factories has been organized on military lines. To the present day, workers in many a factory or office are not allowed to leave their workbench or desk for unscheduled visits even to the toilet. Whether working in factories and mines, or fighting under orders from 'superiors', the vast majority of waged or salaried workers must set aside their personal opinions and follow orders without question.

A brief consideration of present employment terminology demonstrates the close connection between the military and the employment status – salary, line manager, advertising campaigns, recruitment, standardised procedures, work uniforms, annual 'leave' and so on. In the military it is necessary to follow orders from above without question. The safety of the group depends upon it.

In due course of time the oppressed worker/soldier became the emulative consumer, content to display the appearance of prosperity as reward for service to the financial system. Rational, economic man has no need to be sentimental about rights, duties and responsibilities. He takes what is on offer, and makes the best of it. Waged and salaried employees receive the food, clothing, shelter and leisure provisions necessary to survive. As one progresses up the ladder of promotion, these same basic provisions carry with them increasing elements of status, encouraging commitment to achieve promotion, whilst discouraging active thoughts about alternatives to wage/salaried slavery.

**Economic theory and the wages system**

Considering Adam Smith's pin factory from a different perspective, it becomes evident that the entire modern dilemma of financial crises is based upon a series of fundamentally false premises. Economic theory takes the firm, the factory, the productive enterprise as the source of all wealth. Economic progress and economic welfare depend upon production for the market, and consumption from the market. The household and the land, *i.e.*, society and the natural world, with all its free resources, do not 'count' in economic models and calculations. Only when a money value is placed upon a 'factor of production' *i.e.,* land, labour or capital does it register as significant.
Hence orthodox economic thought revolves around due 'returns' *i.e.*, rewards or incomes, to the factors of production. Look again at the pin factory. What is necessary to enable ten workers to produce 48,000 pins a day?

The factory must be built.
The machines must be bought.
The raw materials must be bought.
The product must be designed and marketing planned.
And finally, the workers must be recruited, trained and set to work.

That takes care of the process of production. Once the product is sold, the capitalist can meet the bills, pay the workers, and hopefully pocket some of the proceeds as 'returns' on his entrepreneurship.

Economists of various political persuasions have argued about the rightful payment due to the economic agents involved. How much of the total final selling price of the product should go to the workers who have made the product? And what proportion of the 'returns' should go the 'capitalist', the entrepreneur or the shareholders?

In reality, the entire modern system of wages, salaries and dividends is based on false premises. And that is because no factory can be designed and built independently of the entire institutional framework of society as a whole. The ability to produce – and market – 4,800 pins per worker per day, is entirely dependent upon the cultural framework. The common cultural heritage of knowledge, of technology, of skills, of processes, of ways of working together, of cultural expectations and of education is essential to every single enterprise. No firms, no machines, no products, no processes can be called forth independently from the entire social framework. And, above all, workers do not appear from nowhere as ready dressed, fully-fledged, fit, healthy adults ready to react to the demands of the market, able and willing to obey an employer, with a burning desire to consume the material products of industry. Looked at in this light, the whole of economic theory emerges as nothing more than a highly implausible hypothesis.

**Conclusion**
The time has come to reconsider the system of allocating incomes according to the so-called 'employment' system. The first step is to recognise that, however high the rewards, wages and salaries tie the individual into a condition which is indistinguishable from slavery. If wealth comes from the common cultural heritage, combined with the resources of the natural world and the entire social framework, the question of appropriate 'returns' to the 'factors of production', as delineated by neoclassical economic theory, and all its multifarious variations on a theme, must dwindle away, and new thinking must come to life.

The banking and monetary system plays a central role in policy formation in any modern economy. The central banking system originated in the "necessity" to fight wars to establish supremacy over the lands of the British Empire. It created profitable forms of investment by supplying the factories and machinery necessary to wage war, the wages to pay the workers, and products for the workers to buy with their wages so that they would continue working in the carrot and stick mentality engendered by the capitalists. The processes of industrial development are historical facts.

There is no going back to the pre-industrial era, and few would seriously advocate reverting to hand crafting. Nevertheless, all the evidence suggests that the legal, cultural and economic institutions developed during the industrial revolution are in serious need of revision. It is very unlikely that those individuals and groups currently playing a central role in policy formation within the banking and monetary system will pioneer the transformation of swords into ploughshares. That can only be done by the common people acting for the common people in the localities where they live, work and rear their children. It looks as if we, the common people, will continue in service to the present financial system. However, the truth is that if we continue to sacrifice our children to the god of money, and if we refuse to think laterally about the options available to us, we can lay the blame for future crises on nobody but ourselves.

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i Nails for shipbuilding, not pins for dressmaking.

ii In the sense used by Flora Thompson, H.J. Massingham and Wendell Berry.

iii http://en.wikipedia.org/wiki/Battle_of_Beachy_Head_(1690)

# Catholic Social Teaching: A Third Way to a Steady-State Economy

*Anthony Cooney*

The most widely known of the encyclicals of Pope Leo XIII is undoubtedly *Rerum Novarum*. The essential teaching of *Rerum Novarum* has been frequently overlooked, something epitomized in its popular title *The Workers' Charter*. That title arises from a misplaced emphasis upon certain ameliorative proposals concerning conditions of employment etc., which Leo felt essential as transitional measures, but which have no necessary relationship to the type of society the Church desires. Nothing is more certain from the text than that whatever such a society may resemble, it will not resemble laissez-faire Capitalism, moderated or otherwise. Leo speaks with anger of the new phenomenon of the mass of men being degraded into a wretched proletarianism, little better than the slavery he so much abhorred, by the triumph of the Capitalist Revolution:

> That the spirit of revolutionary change, which has long been disturbing the nations of the world, should have passed beyond the sphere of politics and made its influence felt in the sphere of practical economics is not surprising. The elements of the conflict now raging are unmistakable ... in the enormous fortunes of some few individuals, and the utter poverty of the masses.[1]

The Socialist remedy of abolishing private property is rejected as being fundamentally unjust, for ownership of property, both personal and productive, is a human right which cannot be violated without dire consequences. What is of interest is that Leo's language in condemning the Capitalist Revolution is far stronger than the language in which he rejects the Socialist solution; though Socialism itself had already received the lash of his tongue in the encyclical *On Socialism*.[2] Having condemned Capitalism as the source of social injustice and rejected Socialism as the cure, Leo proposes immediate ameliorative measures, observing that "Nothing is more useful than to look upon the world as it really is"; Socialism's error being that it does not do so.[3]

Whilst the worker has a duty to render a fair day's work for a fair day's pay, the employer has equal, if not more onerous, duties. He must not regard his employees as his bondsmen, but respect them as persons. He must not impose tasks too onerous for their age and sex, nor conditions of work dangerous to physical and spiritual health. He must pay a just wage and must not exploit need in fixing that wage, whilst to defraud anyone of the wages which are his due is a crime which cries to Heaven for vengeance. English readers will note that in these passages Leo echoes the thought of Ruskin.[4] It is this list of minimal reforms, and its subsequent elaboration, which reformists have fixed upon, treating the encyclical as chiefly concerned with remedying Capitalism. Yet nothing could be plainer from the text than that the encyclical is not about a moderated capitalism. The very language in which the Capitalist Revolution is castigated—"the misery and wretchedness pressing so unjustly on the majority of the working class," a "rapacious usury ... practiced by covetous and grasping men," "a yoke little better than that of slavery itself,"—makes it clear that Leo was not thinking primarily of easing the proletarian condition, but of its very supercession by a Third Way; the elevation of the proletarian into a proprietor. Leo in fact tells us plainly that his concerns go beyond mere amelioration: "But the Church ... aims higher still."[5]

The objectives set forth by *Rerum Novarum* are nothing less than the re-establishment of a Christian Social Order, however imperfectly achieved in the past. Society is primarily metaphysical and Leo is saying what C. H. Douglas was to say later, that for any hope of improvement, Society must be re-ligated to its organic prototype: *Rerum Novarum* calls for a revolution in the true sense of the word—a return to roots: "When a society is perishing, the wholesome advice to give to those who would restore it is to call it to the principles from which it sprang."[6]

The basic principle Leo asserts is that the right to own property is inherent in Man's nature as a social being. Pius XI's encyclical *The Social Order: Quadragesimo Anno* reaffirmed Leo's doctrines of private property and subsidiarity: that the State must not usurp the functions of lesser, more local bodies and the family. Its purpose was to update Leo's teachings in the situation brought about by the beginnings of the Managerial Revolution.

> In the first place, then, it is patent that in our days not wealth alone is accumulated, but immense power and despotic economic domination are concentrated in the hands of a few, who for the most part are not the owners, but only the trustees and directors of invested funds, which they administer at their own good pleasure. This domination is most powerfully exercised by those who, because they hold and control money, also govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood to the entire economic body, and grasping in their hands, as it were, the very soul of production, so that no one can breathe against their will.[7]

It must be a matter of regret that in all the sequels to *Rerum Novarum* the above is the only consideration of the role of money and credit in the economic life of Man.

John XXIII's encyclical *New Light on Social Problems: Mater et Magistra*, reaffirmed the Leonine doctrine of property, but urged that it was not enough merely to assert the doctrine without real efforts to facilitate "the widest possible distribution of private property in terms of durable consumer goods, houses, land, tools and equipment ... *and shares in medium and large business concerns*." (emphasis added)[8]

Striking an entirely new note, John Paul II argues, in terms reminiscent of C. H. Douglas and other Social Credit theorists, that with the contemporary development of the industrial arts there is now a new form of ownership which is of more importance in the production of wealth than "property" in its conventional sense: namely the possession of know-how, technology and skill, and that therefore "Man's principle resource is man himself." This cultural heritage is a common property to which many are denied access. There must therefore be a greater distribution, not merely of the products of this heritage, but of "ownership" of it to facilitate creative and productive work.[9]

The impact of *Rerum Novarum* was considerable. If today the ameliorative measures it urged—legislation of hours of labor, conditions of work, the just wage, support for trade unions, etc., seem commonplace, that is in fact a testimony to the influence of the encyclical upon legislators and administrators; its terms have entered the social consciousness. Indeed in some respects it may be thought that the influence of *Rerum Novarum* in this sphere has gone beyond its writ and institutionalized some of the very things the encyclical urged against—proletarian dependence upon State welfare and the invasion of family privacy and privilege.

Many politicians and parties have been eager to claim a role as defenders and diffusers of private property. The Liberal party once went to the hustings on the slogan "Three acres and a cow", and the Conservative party on the slogan "A Property Owning Democracy" (1955). More lately the present Prime Minister has laid claim to Leo's Third Way. However, it appears to be regarded as a desirable extra to be placed, between elections, on the backburner of policy; an ideal to pay lip service to, but impractical in practice.

A movement based upon the core doctrine of *Rerum Novarum* was the "Distributist League." Its founding texts were Belloc's *The Servile State* (in which he strongly asserted, "If we do not restore the institution of property, we cannot escape restoring the institution of slavery"), his *Essay on the Restoration of Property* and his *Economics for Helen*. Distributism may be defined briefly in G. K. Chesterton's words:

> Distributism is not merely a moderate form of Socialism; it is not merely a humane sort of capitalism. Its two primary principles may be stated thus:
>
> That the only way to preserve liberty is to preserve property so that the individual and the family may be independent of oppressive systems, whether unofficial or official.
>
> That the only way to preserve property is to distribute it much more equally among citizens so that all, or approximately all, may understand and defend it. This can only be done by breaking up the plutocratic concentrations of our time.[10]

Distributism can claim Cobbett, Ruskin and Morris among its many and varied antecedents. Coming from the radical wing of the Liberal party (Belloc was a Liberal MP from 1906-10), it owed a great deal to A. R. Orage's *The New Age* and its associated Guild Socialist Movement. The Distributist League picked up the fallen banner of a Third Way, undismayed by the failures of its predecessors, with the result that Distributist ideas often turn up in unexpected places; most recently in an Introduction by David C. Korten to *The Case Against the Global Economy* edited by Jerry Mander and Edward Goldsmith, and published in 1996 by Sierra Club Books of San Francisco. [11]

For those who like their economics reduced to "laws," the "Distributist Law," formulated by Vincent McNabb, O.P., may be summarized as:

The economic primaries are but two: Production and Consumption. Other activities, such as Exchange, Distribution, Transport, Markets, Price-fixing, Money-values, are never primary even when practically necessary. The area of population should be as far as possible coterminous with the area of consumption. The utilitarians were wrong in saying things should be produced where they can be most economically produced. The true principle is things should be produced where they can most economically be consumed.

This "law" is radically opposed to the economic laws of both Capitalism and Communism, for it is an assertion that production is for use, not for the mere increase of wealth, nor for profit, nor to repay foreign loans, and this immediately postulates the idea of "sufficiency of production," something the Ecology and Green movements now endorse. In McNabb's view the savings afforded by "mass production" are offset by the costs incurred by the necessary "mass distribution."

The major problem of Distributism is that well-distributed property, however first achieved, cannot long co-exist with a monetary system in which all new money originates as debt to the Bank, repayable with interest, but this is the situation created by our fractional reserve system of credit creation. Its long-term operation must result in the concentration of ownership and centralization of control in the hands of those "Who control credit and determine its allotment." The solution to this problem was at hand in the Douglas critique of the monetary system known as "Social Credit." The Douglas remedies could not only have brought about more diffused ownership, but would have kept it diffused. Social Credit and Distributism in fact met in the pages of *The New Age.* Sadly they did not mix, though Douglas recognized that they were both Policies of the same Philosophy, promoting the Will to Freedom and opposing the Will to Power:

It is profoundly significant that what is now called "Socialism," and pretends to be a movement for the improvement of the underprivileged, began as something closely approaching the Distributism of Messrs. Belloc and Chesterton, of which the financial proposals embodied in various authentic Social Credit schemes form the practical mechanism. Socialism was penetrated by various subversive bodies and perverted into the exact opposite of Distributism-Collectivism.
(C. H. Douglas in *The Social Crediter*, 16 January 1943)

EDITOR'S NOTE: This article was first printed in *The European Legacy* Vol 5, No 2 pp 241-256 (2000) and this excerpt is reprinted here as a tribute to Anthony Cooney who died in November 2012.

1 Leo XIII: *On the Rights and Duties of Capital and Labour: Rerum Novarum* 205
2 Leo XIII: *On Socialism: Quod Apostolici Muneris*
3 *Rights and Duties of Capital and Labour* p214
4 John Ruskin: *Unto This Last* (London, George Allen 1906) pp1- 24
5 *Rights and Duties of Capital and Labour* p216
6 *Rights and Duties of Capital and Labour* p220
7 Pius XI: *The Social Order: Quadragesimo Anno* (London, Incorporated Catholic Truth Society 1979) p42
8 John XXIII: *New Light on Social Problems: Mater et Magistra* (London, Catholic Truth Society 1967) p32
9 *Centesimus Annus* (London, Incorporated Catholic Truth Society 1991) p24
10 Aidan Mackey: *The Wisdom of G K Chesterton*, revised ed. (Bedford, Aidan Mackey 1994) p12
11 Cf. David C Korten "The Failure of Bretton Woods" in *The Social Crediter* 78 No 1 (1999) pp1-6

# National Dividend

*Frances Hutchinson & Brian Burkitt*

*EDITOR'S NOTE: **The Political Economy of Social Credit and Guild Socialism**, originally published in 1997, is available in paperback from www.douglassocialcredit.com It presents the history of the two movements. Together, Guild Socialism and Social Credit explore "the potential for a cooperative, local, 'steady-state' economy in which industrial production, the arts, scientists, politics, learning and the caring professions are freed from the artificial restrictions of capitalist finance". As the following extract explains:*

On a national scale, the necessary information already exists for removing the price-fixing process from the artificial operations of capitalist finance. All institutions in the economy (banks, the Treasury, the Inland Revenue, government departments, factories, farms and trade unions) produce statistical information. Douglas used early 'tabulating machines' to process the accounts at Farnborough aircraft factory in 1916-18 and was well placed to predict the ease with which complex accounting procedures could be undertaken in the future. Contemporary administration of personal income tax, VAT and benefit systems demonstrates that a 'just price' mechanism could not be ruled out purely on grounds of administrative impracticability. As Douglas later pointed out, given the political will, a variety of models could be devised to produce the desired effects, e.g. the payment of credit in the form of Treasury drafts issued via the banking system.[1] Whichever system was adopted, the common feature would be the close association between credit creation and price fixing. The two are inseparably linked. To create (new) credit without the price-fixing element would be inflationary.[2]

Habits of thought are powerful. The suggestion that the just price of an article may be a mere percentage of its cost could, and did, induce incredulity. Nevertheless, as Orage and Douglas repeatedly pointed out, the present system results in incredible waste of materials and effort. 'Every economic force is driving the [world] community irresistibly towards war.' Perhaps, therefore, 'it is worthwhile to consider whether the accepted principles of price-making are so sacred that a world must be brought to ashes rather than that they should be analysed and revised'.[3]

**National Dividend**

The social credit movement's support for the payment of a national dividend, a non-work-related, non-means-tested income, to every adult citizen attracted popular support[4]. According to economic orthodoxy the payment of an unearned income to all would be inflationary. In the context of the A + B theorem and the just price, the payment of a national dividend offers an additional mechanism to free the economy from the compulsion to unsustainable growth inherent in capitalist finance.

As Douglas later clarified, in *The Monopoly of Credit*, under capitalism personal incomes derive largely from wages and salaries, with dividends accounting for only a small percentage of the total of personal incomes. Economic processes are, however, carried out by two agencies: first, individual effort and, second, the combined operation of plant, organisation and knowledge resulting from the aggregate efforts of present and past inventors and pioneers. The contribution of the first is rapidly decreasing in relation to the second, which represents real (as opposed to financial) capital and belongs to the community as a whole. Consequently a small, decreasing share of the product accrues to individuals by virtue of their efforts. A larger, increasing amount is due by right to individuals as 'tenants for life' of the communal capital.[5]

The instrument which most clearly demonstrates Douglas/*New Age* economic theory is the national debt. The national debt, which the citizen did not create, should become a national asset reflecting the national capital which belongs to the citizen. The state should lend, not borrow. In this respect the financier currently usurps the function of the state.[6]

The technique by which the process could be implemented is best illustrated by the financing of the Great War (1914-18). 'War is a consumer whose necessities are so imperative that they become superior to all questions of legal and financial restriction.' Artificial financial restrictions cannot be allowed to dominate. In peacetime, production follows finance. However, in the exceptional case of war, finance is subordinate to production, which is achieved by creating purchasing power through book entries.[7]

The texts note that at the outbreak of war in 1914 the finance to conduct hostilities did not exist in the United Kingdom. The gold standard, upon which British finance was supposedly based, broke down within a few hours of the outbreak of war. The necessary weapons, munitions and supplies for the armed forces were produced by private firms and paid for by the government. Under normal pre-1914 circumstances the government balanced its budget by raising taxation to pay for such products and services. Since it was impracticable to recover the entire costs of the war out of current taxation, the government faced two options. It could create the paper money necessary to pay for increased production, or, using the existing financial system based on the creation of 'credit', it could raise the national debt. It selected the latter option. Between August 1914 and December 1919 the national debt rose from about £660 million to about £7,700 million.

Much of this finance (which did not previously exist) was created through the 'Ways and Means Accounts, and the working of this is described in the first report of the Committee on Currency and Foreign Exchanges, 1918, page two':

If ten million pounds is advanced at the Bank of England to the credit of Public [i.e. state] Deposits (which simply involves the writing up of the Public Deposits account by this amount), this amount is paid out by the Spending Departments to contractors in payment for their services.

The cleared cheques pass to the credit of the contractors' bankers' (joint stock banks) accounts with the Bank of England. These credits with the Bank of England are regarded as cash at call by the joint stock banks. Working on a ratio of four to one between 'cash' and short-date liabilities, the joint stock banks can allow their customers overdrafts up to £40 million. Some customers can buy Treasury bills or war loans with their overdrafts. Alternatively, the banks themselves may take up a proportion of this money, or they may lend to the Bank of England to lend to the government. The overall effect is the same. The government owes £40 million to the banks, through the Bank of England. Had the government provided £40 million in currency notes, at the mere cost of printing it, the effect would have been precisely the same, except that the public now pays 4-5 per cent p.a. interest on the £40 million and holds a debt to the banks which is liable to be redeemed.

If holdings under £1,000 and reinvested pre-war assets are disregarded, the bulk of the new loan represents purchases by large industrial and financial undertakings. In effect, this is 'communal capital transferred to private account'. For every piece of ammunition produced and afterwards fired and destroyed, for every aeroplane built and crashed, for all the army stores lost, stolen or spoilt, the financier 'has an entry in his books which he calls wealth, and on which he proposes to draw interest at 5 per cent'.

When the war debt is cancelled, only the interest charges go to the profit and loss account of the bank. However, the repayment destroys the 'credit', i.e. purchasing power, which was available in the community. Since the cancellation of a loan results in the 'immobilisation' of an equivalent amount of price values, fresh purchasing power has to be created through further loan credit, and further interest charges. Hence the insistence on the importance of redemption and the opposition to government-created paper money on the part of bankers and financiers. Only one-sixth of the cost of the war was paid for from public taxation. The other five-sixths was financed through a loan to the public. The repayment of this credit can be justified only on the assumption that public credit correctly belongs to the banks rather than to the community.

Significantly, the fictitious 'loans' upon which the increase in the national debt was based did not represent any consumption forgone. Nor did they relate to labour undertaken for the war effort. They did, however, support a novel principle of non-means-tested payment by the state of an unearned income unrelated to employment record or any other tangible contribution to the formal economy.

Furthermore, unearned income from the national debt was drawn against the future production of society as a whole. According to the texts, there can be no logical objection to the principle of paying a national dividend, a guaranteed basic income for all citizens unrelated to employment record and non-means-tested on the basis of the 'real' or 'social credit' of society as a whole.

Such payments would involve the conversion of the national debt into a national asset. The state should lend, not borrow, and use the interest earned on its loans to pay the national dividend. 'This unearned income rests inalienably on the basis of Capital, not of labour.' Capital derives from, and should be vested in, the community. As members of the community, individual citizens should benefit equally from this unearned increment in the form of a universal dividend.[15]

The principle of a universal dividend was recognised as likely to meet considerable opposition, not only from capitalists but also from socialists who abide by the saying: 'If a man will not work, neither shall he eat.' In this scenario 'work' is defined as 'something the price of which can be included in costs and recovered in price'. Such acceptance of capitalist economics 'completely denies all recognition to the social nature of the heritage of civilization'. By its refusal to distribute purchasing power, except on these terms, it allocates to a few individuals selected by the system the right to disinherit the indisputable heirs to the common wealth of society, the individuals who compose it.[16]

**Conclusion**

In raising the question of the relationship between finance and the processes of production, distribution and exchange, the Douglas/*New Age* texts questioned the basis of general equilibrium theory. They drew attention to the fact that bank loans, which form the greater part of the money supply, are not a loan of existing money saved up through abstention from consumption. Nine-tenths of money is bank-created, a ledger entry. A loan for investment purposes does not preclude any savers from reclaiming the money they have saved and paid into the bank. What the loan does is to enable those businesses approved by the banks to invest in goods, produce commodities for profit and repay the loan with interest. The issue of money bears no necessary relation to the supply of goods available on the market at that moment of time. Nor does it relate to the price put upon them, associated with costs deriving from the past period when they were being produced. As Freeman (1995) notes, the sphere of circulation operates in a dynamic relationship with the sphere of production. Decisions determining which commodities can, or cannot, be made are constantly being made on purely financial grounds. Those decisions, Douglas argued, should rest in the hands of the community rather than the banks.

Extract from *The Political Economy of Social Credit and Guild Socialism* by Frances Hutchinson and Brian Burkitt (pp54-5)

1 CH Douglas: *Warning Democracy* (1931) pp106-7
2 Douglas: *The Breakdown of the Employment System* (1923) pp11-12
3 quoted in Mairet: *The Douglas Manual* (1934) p93
4 see Chapters 7, 8 and 9 of Hutchinson & Burkitt: *The Political Economy of Social Credit and Guild Socialism* (1997, reprinted in 2005)
5 Douglas: *The Monopoly of Credit* (1931) p79
6 Douglas: *Economic Democracy* (1919) pp119-21
7 Douglas: *Social Credit* (1924) pp134-5).
15 Douglas: *These Present Discontents & The Labour Party and Social Credit* (1922) pp13-14
16 Douglas: *The Control and Distribution of Production* (1922)

Excerpt from

# Life and Money

*Eimar O'Duffy*

The apparent platitude ('In these days of strenuous and growing competition….') is, in fact, a paradox. That is to say, instead of being a truth so obvious as hardly to need statement, it is a truth so startling as to require careful investigation. What is the competition about? Can it be that, in spite of all our inventions, the necessaries of life are now actually or relatively scarcer than they were? Or is it that one section of the community is absorbing so disproportionate a share of the general wealth as to leave insufficient for the rest? If not, why on earth must the mass of mankind be engaged in an increasingly strenuous struggle for a livelihood ?

We may begin our inquiries by questioning one of the victims of this fierce competition: one of our two and a half million unemployed. Ask such a man what he wants, and he will at once answer: 'Work'. Not 'food, clothing, shelter, and medicine', though he may be obviously hungry, ragged, ill, and homeless; not even 'money', which includes all these things; but 'work'. In short, the man is not answering your question truly, though he is answering it honestly. Nobody wants work. That is to say, nobody wants the toil forced on him by the necessity to earn a living: though all sensible people are ready to do it for the sake of getting the living. What the man really means, then, is that he wants food, clothing, shelter, and medicine, and is prepared to work in order to get them.

Now observe this. The unemployed man has no doubt that, if he can get a job of work and draw the pay agreed on, the food and clothing will be there for him to buy. He knows that they are lying for him in the shops at this very moment. If he cannot get the work, the bread he might buy will stale and go to waste; the shirt he might buy will remain a little longer on the shopman's hands, thus reducing his profits, and delaying his order to the factory for a new supply. There may be a 'glut' in the wheat market; the cotton growers in America may be desperately resolving to burn their 'surplus' crops, and the Lancashire mill-owners offering their 'overproduction' of shirts at fantastically reduced prices to the Chinese, fruit may be rotting on the trees, the *Daily Express* clamouring against the 'dumping' of fruit from abroad, and the farmers gloomily wondering how they are going to dispose of their too generous supplies of milk and vegetables[i]. In fact, there is not shortage, but abundance of all the things our friend needs.

Nevertheless, he cannot claim any share of this abundance unless he works for it. No effort of his has been required to produce it, or will be required to produce a similar abundance to-morrow. His work, as he has been told at the gate of every factory to which he has applied, is unnecessary; but all the same, he must work or starve. To make the situation more absurd still, and as if to emphasise that he is starving in the midst of plenty, it is not required that the work he does shall be productive. It may be utterly useless, or even positively mischievous. A lady may hire him to give her lapdog (which would be better dead) an airing. At once the shops are open to him to the extent of her generosity. But if she presently decides to keep the beast indoors, the man must go hungry again. If now, driven by despair, he hires himself out as a vendor of harmful drugs, a pedlar of indecent postcards, a gunman to a racketeer, or a procurer to a brothel, once again his money is as good in the shops as that of your honest workman. It is true that in such cases the law may have something to say in the matter: but that is not the point. The point is that the goods are there without any productive effort on the part of the purchaser; and if they are available for the pest and the parasite, they must be available for a decent man whose work does not happen to be required at the moment.

Our unfortunate friend's position may now be summed up as follows:

He is hungry and ragged because he cannot pay for sufficient food and clothing;
He cannot pay for these because he is not working; he is not working because his work is not wanted; his work is not wanted because all the goods required can be produced without his assistance;

In short, the reason why he must go without food and clothing is that there is plenty of both.

This, you will say, is absurd, and therefore cannot be true; and promptly you will remember the many millions of the poor, and conclude that the abundance in the shops is only apparent, and that there really are not enough goods to go round among so many.

In that case, can you explain why our friend and his unemployed fellows are standing idle instead of helping to produce more goods? He is, let us suppose, a cotton worker. Why is he not engaged in producing shirts for the millions of people who need them? Because these people cannot pay for them. Why can they not pay for them? Because they are wageless through unemployment, or because, when employed, their wages are low. Why is labour left unemployed and poorly paid? Because it is plentiful, and what is plentiful is cheap. What does that mean in effect? It means that part of the available labour is sufficient to produce all the goods required. So that the reason why all the goods required are not produced is that they can be produced with little labour: which is equivalent to saying that goods are scarce because they are easy to produce.

Our friend's misfortunes, then, are due to one or other of two causes. Either there is plenty, and therefore he must starve; or there is scarcity, and therefore he must not produce. Whichever way you take it you are landed in absurdity.

Such results could only follow from such causes if our economic mechanism were either hopelessly idiotic or sadly out of date. The ensuing pages, I hope, will show which. Meanwhile, as an apt symbol of our civilisation, I want you to carry in your mind a picture of several millions of rational men begging for what they don't want, and unable to get what they do want (of which there is plenty) because there is none of what they don't want available[ii].

First published 1932. This excerpt is taken from the 1935 (third edition) of *Life and Money: Being a Critical Examination of the Principles and Practice of Orthodox Economics with An Outline of the Principles and Proposals of Social Credit.*

i NB By now the reader will have detected that this text was written a long time ago. First published in 1932, Eimar O'Duffy's non-fiction text, precursor to his fictional work, *Asses in Clover*, remains as relevant as ever. Nothing has changed in principle. For a 2013 update on the economics of working for money see *Down to Earth: A Guide to Home Economics.*

ii The effects of the current changes to the State Benefits system, resulting in the giving out of food parcels to the penniless 'unemployed', amply demonstrates the continuing relevance of O'Duffy's comments.

# Church of the Poor?

In his address to the 5,000 press representatives gathered for the Conclave Pope Francis explained: "Some people wanted to know why the Bishop of Rome wished to be called Francis. Some thought of Francis Xavier, Francis De Sales, and also Francis of Assisi. I will tell you the story. During the election, I was seated next to the Archbishop Emeritus of Sao Paolo and Prefect Emeritus of the Congregation for the Clergy, Cardinal Claudio Hummes: a good friend, a good friend! When things were looking dangerous, he encouraged me.

And when the votes reached two thirds, there was the usual applause, because the Pope had been elected. And he gave me a hug and a kiss, and said: "Don't forget the poor!" "And those words came to me: the poor, the poor. Then, right away, thinking of the poor, I thought of Francis of Assisi. Then I thought of all the wars, as the votes were still being counted, till the end. Francis is also the man of peace. That is how the name came into my heart: Francis of Assisi. For me, he is the man of poverty, the man of peace, the man who loves and protects creation; these days we do not have a very good relationship with creation, do we? He is the man who gives us this spirit of peace, the poor man ... How I would like a Church which is poor and for the poor!".

**The Moynihan Report: Economic Violence**

Central America - the entire globe in fact -has witnessed a transformation that can be described as the economisation of violence. The brute-force politics of the 1980s have yielded to the economic warfare of neoliberal economic policies. Free-trade agreements and "structural adjustment" policies have undermined local economies, weakened governments at the national, state and municipal level and left millions of people struggling to survive in the new world economy.

Poverty, exploitation and displacement are no longer considered human rights abuses; they are now part of the "creative destruction" effected by globalising capitalism. Economic violence is all the more difficult to resist because its perpetrators are harder to identify. Policies that wreak havoc on poor families and communities are entangled with sincere, if problematic, efforts to promote development. Even though many countries have enjoyed significant economic growth, a report released this year by the Latin American Centre for Rural Development identified the region as the most inequitable in the world. - America

# The Wolves Within

(From *Africa* magazine)

Which wolf wins? "The one you feed," the elder answered.

The young men were gathered around the fire in the forest as evening fell. Their leader, an elder of the tribe was initiating them into the responsibilities of adulthood. As they sat in the glow of the firelight he told them the story of the two wolves that are forever fighting in every human soul. "There is a good wolf," he said, "a wolf of peace and joy and there is a bad wolf who always working to cause dissension, anger and violence." After a pause when they mulled over what he said, one of the listeners asked, "Which wolf wins?" "The one you feed," the elder answered.

Today it often seems that the bad wolf is getting bigger by the hour as we feed our insatiable appetite for transient satisfactions and numb the deeper yearnings of our soul. We all too readily are enmeshed in the hectic pace of society, not least by our constant use of mobile phones or the internet or video games; we have little or no time to listen to the Spirit within us. "Do not conform yourself to this age," St Paul urges, "but be transformed by the renewal of your mind that you may discern what is the will of God" (Rom 12:2).

St Paul's words are pertinent, not least because our minds, it is claimed, can be damaged by the overuse of such technology, leaving us unable to focus properly on a single task, even reading a book. Until we learn to press the 'off' button more often, we risk being consumed by our obsession for wanting to be always in the thick of things, always up to date with the current gossip, with news of the latest celebrity, with the current 'hit'. Is there not a real danger, as one author wrote, of amusing ourselves to death in the ceaseless spin of entertainments today?

Let us rather look for a gentler approach to life, develop a habit of pausing to soak in the myriad ordinary miracles of our day; miracles we often overlook or miss completely because our busy minds make no space. "God's actions are not normally seen at all, but they can sometimes be discerned. People of faith and sensitive openness to God may 'hear his step', or recognize his activity in ordinary happenings which are outwardly small and insignificant... Such discernment does not come naturally and is not acquired easily. It is the fruit of patient waiting." (Alexander Ryrie).

This is a good time, in this Year of Faith, to 'stir up the spirit given to us' as St Paul urged Timothy (2 Tim 1:6), and wholeheartedly turn to the Lord. A good time to pull back and learn to wait with hope and discover the God who loves us in the 'small and insignificant' happenings of our days. "God waits like a beggar who stands motionless and silent before someone who will perhaps give him a piece of bread. Time is that waiting. Time is God's waiting as a beggar for our love." (Simone Weil)

## Age a Quality of Mind

Age - A Quality of Mind
Age is a quality of mind
If you've left your dream behind.
If hope is cold,
If you no longer look ahead,
If your ambition's fires are dead,
Then you are old.

But if from life you take the best
If in life you keep the zest
If love you hold,
No matter how the years go by,
No matter how the birthdays fly.
You are not old.

Edward Tuck

# We've moved from Nanny State to Nanny Corp.

*Jonathon Porritt*

*Now, it's time consumers shouldered their responsibility, argues the Founder-Director of Forum for the Future.*

I honestly can't remember when I last heard anybody argue that the sustainability revolution we so urgently need will be driven primarily by consumers.

There have been times when such a view was strongly favoured, going right back to that original classic, *The Green Consumer*, by John Elkington and Julia Hailes in 1988. That particular surge of consumer interest in all things green fizzled out ingloriously a few years later, and every subsequent resurrection seems paler and paler by comparison.

So where does the consumer fit in when it comes to analysing the potential for change? For a start, we've pretty much given up on our politicians doing anything substantial about today's converging sustainability crises. It seems they'll only act when they're 'given permission' to act by others: by the private sector, for instance, or, occasionally, by voters. Worse yet, we've completely given up on investors, as they've proved themselves incapable of doing anything other than sticking to their short-term profit-maximisation story. The NGOs are still doing good stuff, but with much less traction than we would all like to see and, though we haven't exactly given up on the voters, in the round you would have to say they don't seem to be particularly engaged! Which is why such a huge burden of responsibility now sits on the shoulders of leading companies – and why this seems to be the only place where real leadership can currently be detected.

Not that they're acting on their own. They still depend on government not to screw up (in terms of bad regulation, inconsistent incentivisation and so on), and indeed they depend on their investors not taking fright. But, from personal experience, I know that they have very low expectations of both – as they do of their consumers. Recent years have taken the shine off the idea of 'green consumerism'. Every survey that purports to demonstrate significant levels of consumer concern is automatically discounted by companies because of the yawning 'say–do gap': we talk green, but we buy brown.

A minority of consumers stay loyal to organic food and fair trade products and, outside of the UK, numbers have actually been growing over the last few years – despite the economic recession.

But any hope that more sustainable products might command a premium evaporated years ago. The vast majority of consumers are astonished at the idea that cheap is often synonymous with destructive, unhealthy, irresponsible and cruel. And the sad truth of it is that a disturbingly large percentage of UK consumers are either too lazy or too indifferent to lead a more sustainable lifestyle.

You'll not hear any of our corporate partners express such heretical views. They never do it in public, and only very rarely in private. And you'll not hear any of the campaigning NGOs express such views either. They love beating up on the corporates, but they won't beat up on the consumers who support those corporates in their unsustainable ways. Too many of them could be members, or prospective members…

All you hear about today is what companies can do to 'enable' or 'empower' their consumers – in terms of product innovation, reducing risk in the supply chain, increased transparency, 'doing the right thing' and so on. Ok, I exaggerate to make a point. It is of course brilliant that fair trade, organic and niche ethical brands continue to thrive in these troubled times. But there is something worrying about the current state of play. Not so long ago the prevailing view was that governments would sort it out on our behalf – poor, deluded fools that we were! Now we've transferred that semi-detached dependency onto the corporate world, indeed onto the very multinationals we once looked to governments to regulate the hell out of! We've moved from one illusory comfort blanket to another – this one market-friendly, seductively branded, and reassuringly undemanding. From Nanny State to Nanny Corp – 'editing our choices', doing the heavy lifting on water, carbon or waste, refurbishing that yellow brick road to the land of notionally sustainable consumption…

This is a funny one for us to get our heads around. *Forum for the Future* spends every waking moment urging companies to do more. And more. Given the economic backdrop, what today's leading companies are doing – with no support from governments, near zero interest from investors, and very little limited affirmation from mainstream consumers – occasionally borders on the astonishing. And you know what? That's simply not sustainable.

Jonathon Porritt is Founder Director of *Forum for the Future*. This article was printed in the 17 January 2013 issue of *Green Futures*.

# Green Futures

*John Papworth*

The alternative magazine, *Green Futures* is, you might suppose, concerned to face up to the ecological dangers our lifestyle is creating and doing something remedial about it. But you would find yourself doing nothing effective about it.

I garner this conclusion from the latest issue. One of its most prominent authors is Jonathon Porritt, whom you might describe as a high priest of the alternative movement, one who has campaigned tirelessly for a generation or more on alternative issues and who in the latest issue, I am stopped in my tracks to discover, has given up in despair.

He has given up any prospect that either the government, 'business' or the 'consumer' will do anything effective to save the planet before our lifestyle destroys it.

Is he right? I rather fear he is. His grounds for being so are rather unquestionable, his reputation as a spokesman has long been accepted, and he is far too canny on major public issues, (he is after all, a member of the House of Lords), to come down on the wrong side on this. That is not, of course, inconclusive.

What does tie the knot is the shape of public events themselves, the way they are moving en masse, to a total quite catastrophic collapse. Billions of innocent people are destined to perish as a result of the damage we are inflicting on the planet. They don't care, the government does not care, and business does not care. Even The House of Lords does not care. The only people who do care are the starving, the infected, the powerless and the despairing, and they are far too late and we are to do more than wail.

Where do we go from here? Where does Jonathon go? The answer is, nowhere. Unless we have an agenda so radical that it creates the basis for a wholly new future, one which attracts even the besotted 'consumers' from their consumerism enough to rescue the planet before it is destroyed. Will Jonathon give it a lead?

# SIZE

*John Papworth*

For the first time, in a single sentence, the weekly more-than-centuries-old newspaper of the mass media, *The Spectator* has stumbled on the basic, inescapable reason for the modern crisis of civilization. In seeking to resolve the eruption of the crisis of the BBC, Charles Moore has this to say: "The organization is too big". In five words he has encapsulated a philosophical essay by a Greek political philosopher written over 2000 years ago; in 350 BC Aristotle had this verdict on Greek democracy: "To the size of a state there is a limit, as there is to plants, animals and implements, for none of these retain their natural facility when they are too large". And every system of government has proceeded to pay an enormous price in every subsequent era for ignoring the elementary wisdom embodied in that principle. Empires have risen and empires have collapsed; empires have swollen, empires have shrivelled; armies have marched triumphantly across continents and armies have retreated in defeat from one continent to another on a scale involving the fate of empires, continents and entire historic eras.

Millions of soldiers and civilians have perished in wars, revolutions and social disasters, often for no other reason than that systems of government have been far too enormous for effective human control, and in defiance of the observable historic record, that whilst it is human-scale systems of government such as Switzerland which have proved triumphantly successful, as well as prosperous, stable, adaptable and decent, it is giant forms of government such as the USA or Russia which have proved inevitably aggressive, uncontrollable, oppressive and enemies of freedom, whatever their pretensions to the contrary.

It is giant forms of government which have proved disastrous and uncontrollable, which have involved human life in monstrous world wars, in world economic disasters, world ecological and environmental magnanimities, and which have proved utterly incapable of exercising any effective control over the play of forces their own powers have unleashed.

One of the main reasons for this is the extent to which giant governments persist in ignoring the vital need to maintain a sharp, clear distinction between national and local forms, the vital need to maintain, in the interests of freedom, the power of local people to control local affairs such as health, education, welfare and justice, and to restrict the powers of national government to control national affairs such as relations with foreign governments, defence, climate, trade etc.

This piece was first published in *Purton Today* Vol 1 No 34 Spring 2013

# Elementary Economics

*Clifford Hugh Douglas (1921)*

Clifford Hugh Douglas wrote the following in answer to a letter to *The New Age* by Hilaire Belloc. The latter argued that, as the UK was dependent upon imports for the raw materials of industry. Was it not necessary, therefore, to manufacture goods for the export markets, so that the import of the necessary raw materials could be paid for? Douglas replied:

‘The answer to this question goes right to the root of the differences between the existing economic system, and that advocated in these pages *(i.e., The New Age)*. The whole trend of orthodox capitalism is to make men cheap and to keep goods dear – in other words, to make work (“employment”), not to deliver goods with a minimum of work. The result of this is that the productive capacity, say, of these islands has never been exploited to produce and deliver consumable goods until war forced on us some elementary flashes of reality. It has always been contended that we must import enormous quantities of wheat, for instance, paying for these by manufactured goods, and before the war we imported about 42 out of 52 weeks’ supply. Under the pressure of the German submarine menace we raised our wheat production *in two years, with most of the agricultural labour out of the country,* to over four times the pre-war figure, and there is no doubt whatever that we can easily produce the whole 52 weeks’ supply in this country. But that would cheapen wheat; the price would become uncommercial, and the supply would have to fall off to raise the price or keep it at a “commercial” level. That is exactly what has happened; and in consequence 1,000,000 acres of British wheat-land have gone out of cultivation since the war. While, under any economic scheme, exports and imports would obviously be desirable, and for all practical purposes essential, the existing system makes us a forced seller, with the result that a quite disproportionate amount of our exports are paid for by the raw material for further exports.’ *The New Age*, October 27, 1921)

This short piece deserves close study, as it encapsulates Douglas’ Social Credit analysis in a nutshell. Within eighteen months of the end of the First World War, industry ground to a halt due to the pursuit of conventional *financial* policies, exactly as Douglas foretold in 1917. It was a commercial proposition to produce for war. It was ‘uncommercial’ to produce for peaceful home consumption. The argument that held sway throughout the so-called interwar years, and throughout the rest of the twentieth century, was that production for export was essential in order to create a strong economy. Douglas argued that a *financially* strong economy was a very different kettle of fish from a strong *real* economy. In other words, wars and international trade are financially profitable, but degrade the real standard of living, which must be based on a strong, decentralised local economy.

# Cyprus Outrage not too far from home

*Bryan Gould*

*New Zealand Herald* 20 March 2013

**Our own Reserve Bank is well-advanced in developing just such a measure that could present a similar threat.**

We have grown accustomed to treating crises in the eurozone as having little to do with us. So, there will be a restrained response to the news of yet another crisis, even one that has provoked "outrage and panic" in Cyprus, where it has arisen. But we should perhaps take a closer look on this occasion, because what has happened in Cyprus could - in essence - happen here as well; and, if it does, we too would respond with outrage and panic.

This particular crisis does of course involve issues that are specific to Cyprus. Like many other eurozone economies, Cyprus is in urgent need of a bailout; and, as a condition of that bailout, European finance ministers are proposing that a somewhat unusual contribution to the cost of the bailout should be made by those who have placed their cash for safekeeping in Cyprus banks. European finance ministers have announced (after markets closed last weekend) that the $25 billion bailout (Europe's fifth) will come with a huge twist - a levy of 6.75 per cent on deposits in Cyprus banks of less than $190,000 and 9.9 per cent on deposits greater than that. The measures will raise, from those with deposits in Cyprus banks, about $10 billion.

The finance ministers are playing a dangerous game. They have their eye on the huge deposits kept in Cyprus banks by Russian oligarchs who apparently (but not for much longer) see Cyprus as a safe haven where not too many questions are asked. But the risk they are taking is huge. If depositors find that their savings are not safe in Cyprus banks, there will not only be a mass withdrawal of funds from those banks (as is already happening), but from banks in other "bailout" countries as well. The eurozone crisis is on track to return with a vengeance.

What has this got to do with New Zealand, you may ask? The answer may surprise you. Our own Reserve Bank is well-advanced in developing just such a measure that would, in certain circumstances, present a similar threat to New Zealand depositors as well.

The "Open Bank Resolution" policy being proposed by the Reserve Bank is an attempt to settle in advance the question of who should bear which liabilities in the event of a banking collapse - whether of a single bank or on a much wider scale.

As David Mayes pointed out yesterday, the current absence of a deposit guarantee scheme (and, one must assume, the Government's unwillingness to provide one) means that the options in the event of a bank failure are limited - liquidation, Government bailout or takeover by another bank.

The post-GFC history of the impact on government finances of bailing out failed banks has obviously reduced the appetite for such operations, and in most such cases there will be few institutions willing to take over the failed entity.

The remaining option - liquidation - however, is politically unattractive since it would immediately threaten the security of customers' deposits.

The Reserve Bank argues that in these circumstances the main priority should be to keep the failed bank afloat. They therefore propose that the bank should close for just 24 hours while a statutory manager is appointed and the bank's financial position is assessed.

A calculation should then be made of the proportion of customers' deposits with the bank that would be needed to cover the bank's liabilities and that proportion would then be frozen. The bank would then reopen, but the frozen deposits would be retained for the statutory manager's use so that the bank's financial situation could be stabilised. Any unused portion of the deposits could then be returned to the depositors. Similar processes would be applied to shareholdings in the bank.

This proposal for what is popularly called a depositors' "haircut", on which the Government and commercial banks are currently being consulted and which is intended to take effect this year, is presented as a response to the failure of a single bank. But the measure would have its most significant impact in the event of a banking sector meltdown, such as might be triggered by a renewed global financial crisis - and who would bet against that?

As in the case of Cyprus, the New Zealand proposal is an astonishing assault both on the property rights of depositors and on confidence in the banking system. The mere fact that such a proposal is even being contemplated should ring alarm bells, even for a typically complacent New Zealand public - and if they were, like the Cypriots, actually denied access to their savings as they disappeared into the banks' coffers, that would certainly be enough to trigger Cyprus-style "outrage and panic".

The supposed need for such a draconian measure arises entirely because banks not only enjoy the unique privilege of creating money out of nothing but are also entitled to use customers' deposits for their own trading purposes. There can surely be no more compelling case for a fundamental review of the way banks operate in our economy. Shouldn't we know more about this proposal and be consulted about it before it is too late?

Bryan Gould is a former UK Labour MP and former vice-chancellor of Waikato University.

# Book Review

**Modernising Money: Why our monetary system is broken and how it can be fixed**
**Andrew Jackson and Ben Dyson**
Positive Money (2012)
ISBN: 978-0-9574448-0-5
pb, 334pp, £14.99

*Modernising Money* contains all you would ever want to know about how the modern financial system works. In clear terminology it maps out the historical origins of the banking and financial system, whilst noting that by its very nature it is prone to constant financial crises. The book provides details of how the tendency to crisis could be brought under control, given the "political will" and the "ability to overcome vested interests". But it contains no indication whatsoever of where the democratic demand for change might come from. Crucially, there is not the slightest hint of where the motivation to challenge powerful vested interests might possibly originate.

The authors have provided the modern world with an excellent update on Clifford Hugh Douglas' early twentieth century analysis of the workings of financial institutions, and the effects of banking decisions on economic activity. In this they fill a vital gap in the literature. However, they skirt round and round the big question of why the monetary system needs fixing, beyond the elementary point that it is inherently subject to constant crisis. Since the system is by its very nature founded on chance and speculation, it is very good at doing what it does well. And that is promoting warfare, whilst creating ever escalating environmental damage, poverty, starvation and disease. Hence 'fixing' the money system to enable it to do better those things it already does well, might, on reflection, seem to be not a particularly good idea.

The whole system is founded on greed, on the freedom from traditional codes of normative restraints which limited the freedom of the individual to seek personal gain at the expense of the general good. Even so, as the authors point out, "it would be a mistake to believe that the money supply is determined by market forces", for three main reasons. First the market is dominated by the top five banks forming an oligarchy, or monopoly control over a market which is free only in name. Second, although virtually all money is created as debt, the money supply is not determined by demand for money, but for demand for credit (a very different phenomenon). And third, the market for credit is not determined by market forces, i.e., by the free play of supply and demand, but by the fact that the banks hold the power to ration credit in order to control the market and keep the price high.

Competently researched, the work is presented with an ordered clarity reminiscent of a text book. It offers an excellent analysis of how the money system works in the UK, and is applicable to the monetary and banking system of any modern economy. The authors conclude: "The monetary system, being man-made and little more than a collection of rules and computer systems, is easy to fix, once the political will is there and opposition from vested interests is overcome." They rightly declare that any real problems presently facing humanity, of ever escalating numbers, depleting resources, climate change and so on, cannot be fixed by the present monetary system. As Herman Daly explains in his Foreword, they propose that new money should only be created by 'a public body working in the public interest'. In real life, generating the necessary 'political will' to overcome 'opposition from vested interests' is a task far, far easier said than done.

The 'Alberta Experiment' provides an excellent historical illustration of how institutional change could be achieved in the financial sector, given the political will and the ability to overcome the constitutional power of vested interests. In 1935, after more than a decade of public debate and discussion, an administration was elected in the Province of Alberta, Canada, with the overwhelming mandate to bring about change in the financial system. But, although the political will was amply demonstrated and certain reforms were implemented, it proved impossible to overcome the institutional power of vested interests at Federal Government level. The authors of *Modernising Money* have provided a masterly review of how the modern money system works. The next step is to consider how the financial system could be brought under genuine democratic control. So long as the proverbial man-in-the-street is content to be motivated by pure, materialistic self-interest, as depicted in core curriculum economics textbooks, the archaic financial system will remain as a cross between a sacred cow and a white elephant.

# Obituary: Anthony Cooney

(1932-2013)

Every now and again one comes along who is so inimitably himself and so preternaturally stubborn that it is rare that his contemporaries know what to do with him. Anthony Cooney is such a one, and the tragedy of his life is not his tragedy but England's that she made so little use of him. As an essayist, he employs the philosophy of distributism [see below] to illuminate problems in history, constitutionalism, economics, culture, and art. As a grassroots campaigner he has fought to attain distributist objectives on a variety of issues. In another time and place he would have figured among the great--a Gandhi perhaps (who was also a distributist). But in late twentieth-century England, Cooney simply smiled as one who knows a secret and carried on, on the scale that was permitted him.

After the [1939-45] war, Cooney finished his education at night school, while working days in the offices of the Liverpool City Council. He started a student magazine. He discovered modernist poetry and music, which became a lifelong passion.

For the next eight years, from 1950 to 1958, while making a modest living as a dock clerk (and also completing his two years National Service in the R.A.F.), Cooney embarked on what was to be his life's work as an author and activist. As a member of the Catholic Evidence Guild, he became an outdoor speak- er on behalf of the Faith and a certified catechist. He discovered the distributist ideas of Chesterton and Belloc and wrote a distributist novel of resistance to world tyranny, called *The Twelfth Hour*, based on a juvenile manuscript incorporating his father's ideas.

At Liverpool's Pier Head, "the most famous of all landfalls," a group of intellectuals gathered to debate the ideas of the day, and crowds came to listen. In 1954 "the Pier Head Magazine" *Platform* was launched by the twenty-one-year-old Cooney and two like-minded comrades. The ideas of *Platform* were distributist, anticommunist, modernist in the arts, and "subtly pro-Catholic." In 1955 they formed the League of Independent Voters, which became the Liverpool Anti-Debt League. In 1956 Cooney, through the Catholic Evidence Guild, met his future wife, Rita, whom he married two years later. Their home became the center of the social credit movement on Merseyside.

In 1959 and 1960 the Anti-Debt League offered a study course called "Money, Society, and the Debt System." Out of this course came the brilliant lectures Cooney later published as

*Social Credit: Economics* and S*ocial Credit: Politics*. And *Forum* was replaced by a monthly sheet, the *Liverpool Newsletter.*

The *Liverpool Newsletter* embarked on a series of issue campaigns. The Merseyside Anti-Common Market Committee was formed and leafleted throughout 1962 in opposition to the European Common Market. The St. George's Day Association (later Gild of St. George) was started in 1963 to get April 23 declared a national holiday and to encourage people to fly the red cross and wear a red rose in honor of England's patron saint and martyr. (For these efforts, in 1989, Cooney was awarded the Silver Cross of St. George by *This England* magazine.) The Anti-Fluoridation Campaign is described below. From 1963 through 1967, Cooney also participated in a mock Parliament, drafting social credit legislation and submitting it to formal debate, part of the transcripts being subsequently published as *The Social Credit Papers of the Liverpool Parliamentary Debating Society.*

In 1964 the couple bought their present home, "Rose Cottage" in Lark Lane, Liverpool, where they practiced self-sufficiency and raised two daughters. He quit the office job he had held for eighteen years, returned to school for a teacher's certificate, and taught primary school from 1971 to his retirement in 1991.

Cooney's literary output includes *Social Credit: Obelisks*, a tour de force consisting of an original philosophy of history with applications to particular historical problems; a scholarly study of turn-of-the-century poor relief in Toxteth; six books of poetry (one in the University of Salzburg's prestigious English Literature, Poetic Drama, and Poetic Theory series); two plays in verse; critical studies of Douglas, Chesterton, and Belloc; a monograph on St. George; and a children's book.

It is useful to think of distributism as the larger concept into which social credit fits.  Berkeley, Jefferson, Cobbett, Leo XIII, Ruskin, Tolstoy, Morris, Gandhi, Belloc, Douglas, Orage, and Chesterton were all distributists, but only Douglas and Orage would be called social crediters. According to distributists, property ownership is a fundamental right. The means of production should be spread as widely as possible among the general populace, rather than being centralized under the control of the state (state socialism) or powerful corporations.

Cooney took his cue from Douglas, who wrote: "Fix your objective in relation to your resources. This is rather more than to say concentrate on a narrow front--it means narrowing your front until you must break through. There are hundreds of spots in the present position which are vulnerable to quite weak forces. The Housewives face many of them" (*Development of World Dominion* 132). There is nothing shameful about being a "weak force," and the British Housewives League proved to be one of Cooney's most valuable allies.

On the subject of "the Conspiracy," Cooney offers these wise words: "*Liverpool Newsletter* does not reject the conspiracy theory; it merely finds it boring. . . . We are being realistic. The Conspiracy Theory vitiates initiative. It induces people to beat their bosoms and cry 'Woe! Woe!'--and then do nothing! After all, what can be done against an all-powerful, all pervasive force which has backed every horse in the race?

Cooney tells how Norwegians fought the Nazis with paper clips: "After the German occupation of Norway people began to wear paper binders in their lapels; brass paper binders are after all cheap and plentiful enough, a few coppers for a box of a hundred. The German occupying authority could not determine what this rash of paper binders to be seen in thousands in lapels, on the street, in the shops, in offices, in factories, signified, and in a sense nobody could tell them. There is no law, after all, against wearing a paper binder in your lapel, and any Government or Authority which tried to pass a law against it would simply appear ridiculous. As there was no organization behind, or centre to, the 'Paper binder movement' there was no one the Germans could prosecute or imprison--'Are you urging people to wear paper-binders in their lapels?' is an absurd question even for a German!

"The 'Paper-binders Against Tyranny' (an 'understood' label which appeared nowhere in writing) drove the Germans crazy with frustration! They ran round in circles confiscating paper-binders which made them appear ridiculous. They resorted to arresting people for wearing a paper-binder, but not only were there too many for all to be arrested, the very action engendered greater hostility" (Apr. 98, p. 4).

Of course, the paper binder movement didn't just happen. Some anonymous hero started it, and the idea was so simple and demanding so little investment of time and trouble that it caught on. Cooney has devoted his career to elaborating and perfecting methods of Political Activity for the Weak.

The Anti-Fluoridation Campaign throughout the sixties sidestepped all argument about the safety or benefits of fluoridation, sticking instead to one simple point: "Our opposition to fluoridation was based firmly upon the principle that fluoridation is mass medication; that it is a claim by a public authority to have the Right to medicate people en masse, against the stated objections of some and in spite of the expressed fears of others. The concession of such a Right to a local authority establishes a Precedent in English Law which we saw as dangerous, even sinister. This case against fluoridation stands whether or not it is eventually proven that fluoridation has no harmful effects and has all the beneficial effects claimed for it.

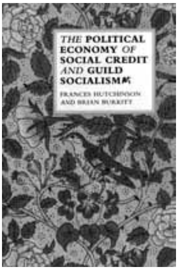
"In this campaign we applied Social Credit principles--Policy is the domain of the individual. Dispute over the 'safety' of fluoridation we saw as a dangerous red herring. Probably not one in ten-thousand people has a qualification to determine which side of the argument is right, and the balance of credibility must always rest on the side of the public authority's 'experts'. On the other hand sovereignty of Policy--in this case what medicine I will or will not take, rests wholly, entirely and properly with the individual. We were successful in having fluoridation rejected by every local council on Merseyside, however often the fluoridation lobby brought the matter up. The seeds sown then have continued to bear fruit in a determined opposition to fluoridation whenever it has been proposed" (Dec. 94, p. 11).

The most ambitious campaign of Cooney's career was his attempt to mobilize a National Abstain Campaign against elections to the Strasbourg Assembly (European "Parliament"). After the 1994 elections, in which (as Cooney had predicted) 37 of 43 anti-E.U. candidates suffered the humiliation of losing their deposits, Cooney lamented the opportunity lost: "Imagine! Early in 1994 [two or more of the four main anti-E.U. parties] come together. They say, 'We have a common policy--to get Britain out. To have a common means we must choose the simplest means. The sanction to hand is the combined indifference and hostility of the British people to the E.U. This expresses itself as a massive abstention in so-called 'Euro-elections'.

Every individual is a minority of one, and one is, by definition, weak. Therefore, Political Action for the Weak is Political Action for the Individual. In true Dstributist fashion and with genuine charity (that is, good cheer), Anthony Cooney shows us how to do more by doing less.

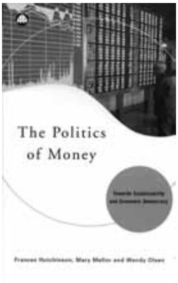
Extracts from "The Life and Work of Anthony Cooney"
Michael Lane (May 1999)

# Recommended Reading




**Frances Hutchinson & Brian Burkitt**
*The Political Economy of Social Credit and Guild Socialism*

(Jon Carpenter £12.99)

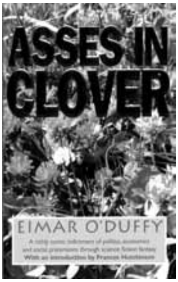



**Frances Hutchinson, Mary Mellor & Wendy Olsen**
*The Politics of Money: Towards Sustainability & Economic Democracy*

(Pluto £16.99)

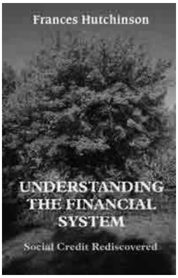

**Frances Hutchinson**
*What Everybody really wants to know about Money*

(Jon Carpenter £12.00)




**Eimar O'Duffy**
*Asses in Clover*

(Jon Carpenter £11.00)




**Frances Hutchinson**
*Understanding the Financial System: Social Credit Rediscovered*

(Jon Carpenter £15.00)

**Frances Hutchinson**
*Social Credit? Some Questions Answered.*
KRP £2.00

**Books by C H Douglas**
(available in the Social Credit Library)

*Economic Democracy*
*Social Credit*
*The Monopoly of Credit*
*Warning Democracy*
*Credit Power and Democracy*
*The Control and Distribution of Production*

*For reviews of all these publications and details of how to purchase them, please see our website:* ***www.douglassocialcredit.com***

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