

THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

Vol. 39. No. 25.

SATURDAY, APRIL, 2, 1960.

Postage, 2d.

6d. Fortnightly.

Hire Purchase

By JAMES GUTHRIE

(continued)

"Money is not made by industry, neither is it made by agriculture, or by any manufacturing process. The farmer who grows a ton of potatoes does not grow the money whereby the ton of potatoes may be bought, and if he is fortunate enough to sell them, he merely gets money which someone else had previously. Purchasing power, therefore is not, as might be gathered from current discussions on the subject, an emanation from the production of real commodities or services much like the scent from a rose, but, on the contrary, is produced by an entirely distinct process, that is to say, the banking system." (C. H. Douglas: *The Monopoly of Credit*).

If there is to be any logical connection between production and consumption there must be some connection between the flow of prices attached to the goods and the flow of purchasing power to the people in the form of wages, salaries and dividends. If there is too much purchasing power in the form of wages, etc., issued, then the shops will very soon be emptied, and there will be insufficient goods to go round. (Have you ever seen a town with empty shops?) On the other hand, if the wages and salaries paid out each week are on the average less than the price of goods sent in for sale there will be a surplus of unsaleable goods; there will be much competition to get rid of the surplus, and much advertising to persuade people to allocate their limited purchasing power to some retailers in preference to others. There will be an attempt to get a lien on future income in the form of hire-purchase agreements.

Modern mass production is an elaborate process, and once the plant is set up it is necessary to keep it operating at full speed in order to liquidate, in a short time, the heavy overhead charges. An army of advertisers run ahead of the flood of goods which come off the assembly line to try to find homes for them. It is so well known that the purchasing power of the people is totally inadequate to cope with this flood, that an attempt is made to make would-be purchasers allocate (budget) so much a week out of their wages for a term extending over several years. The modern wage earner has his wages allocated in this way for years ahead, and the amount of money he has to spare for any activity outside narrow limits is so restricted that his freedom of choice is like that of a schoolboy who is given food, clothes and shelter and something which is called education, but is not given the means to make important decisions for himself, for his family or for his country.

We have seen the start of this process. The number of

years over which payments are being spread is increasing rapidly; and as automation gets into full swing the time for payments will be extended to the next generation, as is being done with governments. It is not difficult to imagine an automatic factory turning out millions of pounds' worth of goods per year and operated by a score of men; it should be obvious that even if no profit at all is made the wages paid out would be very small compared with the cost of the goods. And as industry becomes more automatic the gap between prices and purchasing power must become greater. In other words, the Industrial Revolution has made the wage system inadequate. Wages no longer have any just relation to prices; wages are quite incapable of liquidating our debts.

There is a great deal of comment about the hire-purchase system; many people say that much money is being diverted to hire-purchase, and that people are encouraged to use it because more profit is made that way than in ordinary business. This statement, although correct, is not very useful because it diverts attention from more important facts. There is no doubt that banks are diverting credits from legitimate business, and that small firms are being liquidated; but the fact remains that the creation of consumer-credits is absolutely essential to prevent industry shutting down. Not only are the ordinary wage and salary earners quite incapable of paying for the goods and services they produce, but the governments themselves are paying on hire-purchase for their roads and schools, etc. But as governments carry on from generation to generation so do the payments—at least the interest payments do; the capital is never paid back, nor can it ever be paid back. And as with governments, so with private individuals—time payment will be gradually extended to the second and third generation.

The hire-purchase system is an attempt by the banking system to augment the purchasing power of the wage earner in order that he may buy the output of mass production industry. The new credits created by the banking system represent an attempt to bridge the difference between prices and wages; this is necessary because, although modern production is based on mass production machines, the prices are based on an accountancy system belonging to the age of handcraft industries, when no machines were used and when prices and wages were more nearly equal; also, in the rural economies of those days, food, transport and fuel could be grown on the farm without the extensive use of money. Although the prices of most commodities have been recorded in England for over 600 years, it is difficult to obtain a price for beer, the reason for this being that most farms made their own beer.

(Continued on page 3).

THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

This journal expresses and supports the policy of the Social Credit Secretariat, which is a non-party, non-class organisation neither connected with nor supporting any political party, Social Credit or otherwise.

SUBSCRIPTION RATES: Home and abroad, post free:
 One year 30/-; Six months 15/-; Three months 7s. 6d.
Offices—Business and Editorial: 11, GARFIELD STREET, BELFAST.
 Telephone: Belfast 27810.

THE SOCIAL CREDIT SECRETARIAT

Personnel—Advisory Chairman: Dr. Tudor Jones. **Chairman:** Dr. B. W. Monahan, 36, Melbourne Avenue, Deakin, Canberra, Australia. **Deputy Chairman:** British Isles: Dr. Basil L. Steele, Penrhyn Lodge, Gloucester Gate, London, N.W.1. (Telephone: EUSTon 3893.) Canada: L. Denis Byrne, 7420, Ada Boulevard, Edmonton, Alberta. **Secretary:** H. A. Scoular, Box 3266, G.P.O., Sydney, N.S.W.

“Only That Which Resists Endures”

“I believe that if a few Social Crediters could appreciate the tremendous speed of the revolution they are witnessing, and use the powerful weapons placed in their hands, the result would be decisive. As the great crisis approaches, their actions may become more personal and less aloof, and they may recognise their unique position in society.”

—James Guthrie, Hobart, April 12, 1946.

An early reason for the popularity of Social Credit ideas was the hope that it might be the embodiment of an assault upon the citadel of entrenched Power entailing no discomfort and only the most peaceful persuasion to the highly intelligent but timorous reformer. Buxton was the scene of the first discouragement to this facile view. There have been others. Truth does not enter by back doors. It would not be truth if it did. The durability of Social Credit is of the same nature as the durability of institutions. The cleverest of Napoleon's politicians, when he asked them for an opinion concerning the durability of his institutions, answered by saying: “Ask yourself what it would cost you to destroy them. If the destruction would cost you no effort, you have created nothing, for, politically as well as physically, only that which resists endures.”

Only that which resists endures. So, with Mr. Guthrie, we hope that, as the great crisis approaches, the actions of Social Crediters may become more personal and less aloof, and that they may recognise their unique position in society.

—*The Social Crediter*, May 4, 1946.

Facets

... And here let me (ignorantly perhaps) impetuously state my wishes, ‘That trade was unknown’; (or that I had lived when it was but little known). Here arises an outcry against me. What no trade! No prosperity to this country! This country so flourishing by commerce!—Hold you an instant; what does trade introduce? What carries it out? Why, the very vitals of the country are drain'd to import these *most valuable* commodities, rum and sugar from the West Indies, china and nakeens from the East, hemp from

Sweden, deals from Norway, oil from the Northern and Southern Poles, furs from North America, tobacco from Virginia, and turtles from Bahama-Islands: now could we not go very happily without these ridiculous luxuries; or raise the useful ones at home?

But trade, Sir!

Aye, trade, Sir, leads to commerce; commerce leads to war; war brings on taxes; and so the whole country, with the king, and minister, fearful of offending a petty merchant . . . are led into a fresh warfare with all Europe; and this island of interior happiness, must be stripped to the heart, whilst its true concern, the landed property, is sacrificed to rogery, false pride, and the tricks of merchandise!—‘But see you not the great increase of Manchester?—Yes, I see the hearty husbandman suck'd into the gulph of sickly traffic; and whilst some towns swell into unnatural numbers, lost is the sturdy yeoman, and honest cottager!

The business of harvest, formerly the work of three fine weeks, cannot now be finished in six weeks.

Go on my poor deluded country; and strain away in trade; enclose; depopulate; build towns; pull down villages; and deal away so largely and wildly, that ye all become swindlers, or bankrupt! Study to impose taxes; and employ ten people to collect them from ten others . . . and when reason is almost lost, and laws multiplied beyond comprehension, may some surviving few of the nation who do not thrive by politics, and stratagem, endeavour at a reform . . . —*The Torrington Diaries* (From “A Tour in the Midlands, 1790” of the Hon. John Byng, later fifth Viscount Torrington)

Most of the avoidable suffering in life springs from our attempts to escape the unavoidable suffering inherent in the fragmentary nature of our present existence. We expect immortal satisfactions from mortal conditions, and lasting and perfect happiness in the midst of universal change. To encourage this expectation, to persuade mankind that the ideal is realisable in this world, after a few preliminary changes in external conditions, is the distinguishing mark of all charlatans, whether in thought or action. In the middle of the eighteenth century Johnson wrote: “We will not endeavour to fix the destiny of kingdoms: it is our business to consider what beings like us may perform.” A little later Rousseau wrote: “Man is born free, and is everywhere in chains.” Johnson's sober truth kindled no one, Rousseau's seductive lie founded the secular religion which in various forms has dominated Europe since Rousseau's death.

Although tinged with vague deism, Rousseau's religion of the natural man treated this life as essentially a complete and self-contained experience, a view which tends to stimulate both self-glorification and Utopianism . . . Rousseau looked forward to an earthly paradise in which a liberated humanity would attain the felicity denied to those born, like him, into the night of privilege, tyranny and greed; for Utopianism is the transference to society of the individual's disappointed expectation of personal happiness. Rousseau's gospel found its first practical expression in the French Revolution, which followed the usual course of Utopianism in action.

—*The Poisoned Crown*, The Genealogy of Hitler by Hugh Kingsmill, 1944.

HIRE PURCHASE— (continued from page 1)

(See Note 3 on the shortage of purchasing power).

From the time the steam engine started to be used the wage system started to become inadequate; men could not compete with machines, nor could they pay for the output. How then was man to benefit by the use of the machines? Here we come to the reality behind the Industrial Revolution. Watt and Faraday, and the long line of men who helped to produce our present standard of living, are long since dead, but we still enjoy the benefits of their work. There is no reason why these benefits from the past should be restricted to any particular group of people—say, to those who obtain money by punching a clock in an automatic factory, as against those who are employed in homes.

At this point it should be realised what is happening. If you consider what many people have done in a short lifetime in the way of building homes and gardens and farms, and in planting trees, etc., and when you consider that our ancestors have been working on the face of this planet for thousands of years, one would have thought that *each child would have been born into this world with a financial credit, instead of a financial debt.* We find that the capital assets of this country, which have been built by ourselves and previous generations, instead of being credited to the community as a whole, are debited to it; we also find that the financial costs of these assets, however ancient, find their way into the prices of everything we buy. And when you consider that the capital equipment of the country is growing at an accelerating pace (an expanding economy), and that our debt structure is doing likewise, the mere fact that so many people have to use the hire-purchase system shows that no community of persons are collectively issued with sufficient purchasing power to liquidate the cost of consumer goods; let alone to liquidate the additional cost of capital goods.

What is urgently required is a national balance sheet to tell us the amount of our national assets, and why we are not receiving any dividends.

When automation started in the motor car industry there was a panic. Thousands of men were displaced, and their place taken by a handful of men; furthermore, this small number of men produced in a few hours what thousands of men previously took weeks to produce. When you consider the multitude of complicated parts in a motor car, and the complicated processes involved in making them, you can then realise how silly the present wage system is going to look when automation takes over the production of simple articles.

As we view the contemporary scene we see a people, richly endowed with everything the heart could desire, spending their time, energy and emotions in a vain attempt to find the money to pay themselves for what they themselves have produced; we see the versatile and powerful precision instruments of production used to produce anything and everything, except that which will enable men to become free; we see a people as a collectivity, building mighty reserves at an accelerating pace, and the individuals of the collectivity moving further into debt and servitude to a system they cannot control. As the group becomes mightier the individual becomes more helpless, and is quite unable to build reserves for himself or his family.

The communists and their shadowy backers must rub their hands with glee as they watch what is left of our Chris-

tian civilisation being turned into an antheap. If we are to win the cold war against those who are planning so successfully to destroy everything we stand for, we shall have to bring back into our society some integrating force which will harmonise our many activities by removing some of the quite needless antagonisms. In other words, we shall have to bring back into our society a solid belief that our affairs are being organised on a rational basis, that we are part of a living organism and not merely spectators at a circus, that all our ceaseless activity means that we are going somewhere important, and that there is some hope for the future. If, and when, we do this we shall give to the creative elements in the community that vitality and enthusiasm which springs from a whole-hearted allegiance given to something tangible, to something of permanent value, to something we can honour, respect and fight for.

Our greatest menace does not come from Russia; our immediate task is not to emancipate other people, but to emancipate ourselves. The problems of the Christian West are vastly more critical and more dangerous than those of the Asian world. No intelligent man can fit comfortably into a system which he can see has no future for himself or his family. A productive system, however scientific, which produces rubbish is no place for an honest man; a productive system where labour-saving devices do not save human labour is no place for an intelligent man; a productive system where every great endeavour, every new invention and every new technique increases the price of its products is no place for a man who believes in progress or efficiency. What then is wrong with the productive system? The socialist would say that "it produces for profit, not for use." But when they have said this they have not told us anything, for the people who do not work for profit are usually found in mental asylums. Our chief objection to the productive system is that it is not profitable.

Mass production has introduced a new and more intense form of competition in industry. Mass production equipment is expensive, and to justify the capital outlay it is necessary to sell quickly large quantities of the products. Having saturated the market, a productive organisation and its employees become unemployed. What do they do next? All they can do is to try, by means of hire-purchase, to extend their markets to that large majority which hitherto could not buy anything but bare essentials; and secondly, by expensive advertising, to force people to feel uncomfortable if they are seen in last year's fashions in clothes and motorcars, and so compel them to buy a new model each year. To this end, the products of mass production are deliberately designed on the same lines as are women's clothes—to 'date', to fall to pieces, and to go out of fashion as quickly as possible. Under the present financial system a manufacturer is faced with the choice of two evils—either he can assist in the unjustifiable plundering of the natural resources of his country required to keep the automatic machines in full employment producing rubbish, or he can put himself and his employees out of business by turning out high quality goods which do not 'date' nor wear out quickly.

"Either the progress in the industrial arts is a colossal delusion, or the present price system is a colossal fraud. Anyone who cannot see that there is no other alternative has not learnt the elements of industrial dynamics." (C. H. Douglas).

Real progress in the industrial arts should pay dividends to individuals by progressively reducing the amount of time the individual is required to give in exchange for the basic elements of life. In terms of economics, this means there should be a progressive reduction in prices. The increase in wages granted in Australia for 1960 is expected to put about another £100 million into circulation as purchasing power. The increase, as usual, will soon be absorbed in increased prices. But, although the wage-earner will be little better off, the increased prices will be another cruel blow to the pensioners and those trying to live on a fixed amount of a depreciating currency. If the £100 million new credits, which the banks will have to issue to finance the increased wages, were issued for the purpose of reducing the price of basic commodities by subsidies, or of reducing indirect taxation, the whole population would benefit immediately, and the wage earners, instead of receiving a temporary rise, would receive a real and permanent one. *This is not a matter of theory; it is something which has been tested under the most difficult conditions.*

(To be continued)

NOTE 3. ON SHORTAGE OF PURCHASING POWER.

If the community as a whole is to have sufficient purchasing power to buy back its own production then the rate of flow of wages, salaries and dividends must at least equal the rate of flow of prices. This does not allow for second-hand transactions or re-investments.

In making a list of costs of an article for sale there are, besides wages and salaries, such items as depreciation and obsolescence; the entry of these last two items into costs, although it increases prices, does not distribute purchasing power, neither does the repayment of bank loans.

As all organisations selling goods and services to the public use the same methods of costing, the rate at which purchasing power is distributed by these organisations in the form of wages, salaries and dividends can never equal the rate charges are made against the public. These charges equal wages, salaries and dividends, plus various costs incurred over periods extending to many years.

As overhead charges become an increasing part of the costs of modern industry it is instructive to examine them more closely. In Tasmania since 1916 over £90 million has been spent on the development of the Hydro-Electric System; the question is, does that £90 million or any part of it still exist as purchasing power? If it does not still exist, where does the money come from to pay the electricity bills, over 60% of which is for capital charges?

In financing the building of a power station, the State Government makes arrangements with the bank to pay out, say, £2,000 per week to the workmen in wages. The wages pass quickly through the hands of the workmen to the shopkeepers, back to the bank again. In the course of a year, this £2,000 circulates, say, 52 times, and creates a debt against the power station account of £104,000. To suggest that the whole of this £104,000 exists as money anywhere except as a debt is simply not true.

Yet, unless this money is saved up as cash (not invest-

ments) it is not available to pay for that portion of our electricity bills which represents capital charges. In the above transaction the banks would, in general, have the same amount of cash at the finish as they had at the start, but now they have a debt owing to them of £104,000, with no means provided for liquidating the debt.

Let us examine what happened in the above transaction. In modern society no large scale operation can take place without the use of money. "Money is the starting point of every action which requires the co-operation of the community, or the use of its assets." The financing of industry, as with the financing of war, has got nothing to do with the quantity of gold in the country, or with the people's savings. Most business transactions are carried out by means of cheques operating on an overdraft. A loan of £100 granted by the bank in this way is a clear addition to the money in the community; when this loan is paid back the £100 is cancelled, *i.e.*, does not exist as money anywhere.

When the bank extends credit to a baker the money issued is backed by the production of goods for sale—bread. Thus with the output of money we have an output of goods; but in the construction of the power station, the £2,000 paid out each week in wages was not backed by the goods for sale. The total £104,000 was pure inflation.

During the production process the banks acted as tally clerks for the community to issue and cancel the necessary money tickets. The banks did not part with their own or their customer's money; they did not build the power station. The people who actually paid for the power station were the only people who could pay for it, *i.e.*, the people who fed, clothed and serviced the workmen. Unless the community is credited with an asset on which dividends are paid they are being asked to pay twice for something they built themselves.

The total real cost of the production of Australia for one year is the cost of living of the population for that year, but although the people pay for this, *i.e.*, for the *total* production when they spend their wages *etc.*, they only get delivery of *some* of the consumption goods; practically all the capital goods, as with the power station referred to, are debited against them, instead of credited to them.

In this way, the cost of living this year of an increasingly large portion of the population becomes the capital costs of next year. As the process is cumulative it explains the continuous increase in prices. In other words, the more we improve the machinery of production, and increase our assets, the more hopelessly we get into debt.

Integrity

"The fundamental error of our theorists is, that they have never understood the place which integrity has in all the ramifications of life. They believe that to say a thing is the same as to do it, as though verbiage were a substitute for will, conscience and education."

—*America, the Land of Promises* by Henry J. Taylor, U.S.A.