

The SOCIAL CREDITER

For Economic Democracy

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Editorial

It has been observed that there are: “two characteristically different types of people who determine historical events and social outcomes by interaction and reaction: those who ‘want light’ (in the sense of understanding) and those who want ‘to become blessed’; that is, those who seek true knowledge, and those who prefer leadership by others in authority” (Rudolph Steiner, quoted by David Kuhrt, *New View* Winter 2002/3).

Individuals in positions of power or religious leadership are not necessarily those who ‘want light’. Those who prefer to ‘become blessed’, can be led by those in positions of political or religious authority to good ends or bad, since they rarely think much about the truth or otherwise of the preconceptions and beliefs mediated to them as knowledge by the institutions which govern their lives. Meanwhile, many who provide humanity with understanding often remain obscure during their own lifetimes.

The flow of history does not just ‘happen’: there is an interplay between the seekers after true knowledge and the mass of people who merely follow political or religious leaders or ‘experts’. While ‘thinkers’ are not necessarily leaders – they often seek enlightenment and avoid practical engagement in politics – leaders are not necessarily moral,

and will convert sound ideas into populist slogans in their quest for power. For example, the desire to go ‘back to the land’, the sense of place and culture, can be exploited by seekers after personal power, leading to an identification of the ideas with a certain type of politics.

The danger today is that much excellent thinking is being sidelined on spurious grounds of dubious ‘code’ word associations. A sympathy with care for the land, respect for nature and suspicion of technological ‘progress’ can be used by seekers after political power to fan the flames of racism to their own ends. Labels can be, and are being, used to blank out the quest for light, through the use of Orwellian-type Newspeak. The classic example is Anna Bramwell, whose claim that since Hitler was a vegetarian, the advocacy of vegetarianism should be treated with caution, as potentially leading to fascism, has certainly been used to discredit vegetarianism, and green politics generally. It is perfectly true that decent people were deceived by Hitler’s skilful propaganda, because Hitler latched onto popular ideas and twisted them to his own ends. The ideas themselves, and their proponents, do not become ‘fascist’ or politically ‘right wing’ because they can be misused, so that they are declared out of bounds for informed debate. Sadly, that is precisely what is happening.

There is a moral duty on *all* who are firmly opposed to anti-semitism in all its forms to speak out clearly on the

issue, rather than evade it; or even worse, compound the problem by appearing to agree that Social Crediters actually racially attacked bankers or Jews, when they did not. In order to speak out effectively it is necessary to acquire a thorough understanding of exactly what anti-semitism is, how it arises, so that such great evil can be prevented from occurring in the future. If anti-semitism is to be avoided, the duty is imposed upon all of us to ‘seek true knowledge’. The quest to avoid delusion is a hard but necessary road to follow.

In this issue

Page 14
The Last Rally

Page 15
“Anti-Hate” Legislation

Page 16
Our discussion about Credit

Page 17
The Influence of CH Douglas

Page 18
Letter

Page 19
Centenary
West Riding Summer School

Page 20
The term ‘Social Credit’
Book review

Weird hou men maun aye be makin war

Insteid o things they need

Tom Scott (1918 – 1995)

Excerpt from the author's introduction to
The Last Rally: a Story of Charles II

by Hilaire Belloc

(Cassell & Co. London, Toronto, Melbourne & Sydney 1940)

This book is a sequel and companion to my book upon Louis XIV. To that book I gave the title "Monarchy" as my theme was the eternal conflict between One Man Government and the Rich.

Napoleon said it: "The only institution ever devised by men for mastering the Money-power in the State, is Monarchy." It is obviously true and is the most practically important of all political truths. The Government of the United States, with its large development and presidential powers in modern times and the present struggle between those powers and plutocracy, is a very good example in point. A still more forcible example is to be seen actively at work before our eyes: the new governments calling themselves "Totalitarian" are essentially extreme monarchies at issue with the plutocratic rule in the older world around them: to a large extent in France and obviously in Great Britain.

As I dealt in my former book with the leading case of Louis XIV of France as a monarch standing up to the Money-power (and, on the whole, successfully), so in this book I deal with the parallel and complementary case of his contemporary and first cousin, Charles II, Stuart King of England.

He also found himself faced by that unescapable conflict between the Money-power and Monarchy; but, unlike his cousin Louis, Charles failed. The Money-power was too much for him. So long as he lived he managed to fend it off though not to tame it; but immediately after his death, in the less competent hands of his brother James (the last real and active King of England, as also the

last by hereditary right) Monarchy went down. The Monarch was driven out and the powers of Government in England were taken over by a Governing Class of wealthy men which class has remained in the saddle ever since. For England in this our day is the one great example of aristocratic government in the Old World.

It is essential to affirm here, at the outset, that the conflict between Monarchy and Money-power, is *not* a conflict between good and evil. One may legitimately prefer government by the wealthy to government by one man, which is the opposite of, and the corrective to, government by the wealthy. In the particular case of the English monarchy its breakdown after Charles II had struggled so manfully to maintain it did not involve the ruin of England: quite the contrary. The aristocratic government which then succeeded to monarchy proceeded from one triumph to another. It expanded the English Dominions beyond the seas. It laid the foundations of a vastly enhanced position by the acquisition of India in the face of French rivalry; it triumphantly maintained the power of England against European rivals. It produced an unrivalled fleet which at last, after a century of aristocratic government, obtained (in 1794) complete mastery of the seas and was largely instrumental in defeating the French Revolution and Napoleon the heir thereof.

Meanwhile during these two and a half centuries of aristocratic government the commerce and wealth of England perpetually increased, and increased enormously. So did the population after Charles II's time. Even at the end of the reign, in 1684, England had not

much more than six million inhabitants; at the end of the next century (1800) England had twelve million inhabitants. Today Great Britain, as a whole, has nearer four times as many inhabitants as it had then.

Further, under class government and the direction of the wealthy, England began and developed the "Industrial Revolution": modern machinery, especially modern transport, to a large extent modern armaments, and all the rest of it. Those therefore who prefer aristocracy or class government to monarchy, those who would rather have a state controlled and directed by the rich than directed by the will of one man, have a great deal to say for themselves on the material side.

They have also a great deal to say for themselves on the moral side. For though aristocratic government degrades a people by neglecting human equality and human dignity, yet it does foster individual liberty. All aristocratic or plutocratic protests against monarchy have used this argument and have been at least half sincere in using it. On the other hand, government by the rich in England destroyed the independent farmers of which the English State had formerly consisted. Whether we call them peasants (the Continental name) or yeomanry (the specifically English name), such a body of free men was at the basis of all English society until the rich destroyed the English Monarchy after the last effort of Charles II to maintain it.

The English after 1660 were generally transformed from a comparatively small nation of independent agricultural men, shopkeepers, individual traders and sea captains (continued on page 16)

“Anti-hate” Legislation

Wallace Klinck, representative of the Social Credit Secretariat in Canada, responds to Joelle Cowan’s article in support of free speech which appeared in *The Contrarian*, (published in San Francisco on 4 October 2003)

There is no doubt in my mind that the purpose of Canada’s anti-”hate” legislation has little or nothing to do with promoting legitimate and beneficial social ends. The legislation was not brought in because of any popular demand and almost certainly was the result of specific small minority pressure. Its seeming intent, and practical effect, is to penalize and intimidate anyone who has the temerity to speak out against establishment, domestic and internationalist policies and in favour of the preservation of national sovereignty, etc. Most especially it has the effect of making perfectly justifiable and relevant criticism of ”public” policy, all too often initiated by minority pressure, an ”illegal” act. In other words it means the suspension of open and meaningful (or even non-meaningful, for that matter) political debate—in effect the end of the democratic process. Over time it virtually guarantees the erosion of the existing culture—not by natural evolutionary change but by “legal” force imposed from “on high,” regardless of the actual desires of the general public.

I and other citizens do not need the state to tell us what to think. As citizens the responsibility rests upon us to think independently and to give instructions to our representatives—not the reverse. ”Hate” is a subjective matter and the courts can hardly read an individual’s mind. Further, one person’s “hate” may often be another person’s “love.” Again, if we can know love, we must be able to distinguish and criticize that which is in opposition to it. Such criticism may actually be rendered out of genuine consideration of the best interests of those criticized and/or of society in part or in whole. To brand this as “hateful” and therefore

criminal is pure nonsense, deceit and/or hypocrisy—a mischievous strategy enabling the elimination of political opponents before an issue is even subject to public consideration. The interests who promote this sort of outrageous policy appear to assume that their position of power is impregnable and that their moral and intellectual infallibility justify the assumption that “might makes right.” If the state interferes with the free flow of information it, in effect, attempts to control what citizens think because without access to all available information one cannot make realistic assessments. The whole concept of democracy is therefore subverted. This is blatant totalitarianism—more than reminiscent of Bolshevism.

In Canada Human “Rights” Commissions, effectively kangaroo tribunals (where the accused does not have the usual Constitutional, common law and historic rights of defense provided in regular courts), assist in this totalitarian process by rendering arbitrary judgements and penalties on unfortunate selected citizens deemed to have spoken or acted in a “politically incorrect” manner. These Commissions respond to complaints lodged by individuals who claim to have been subjected to “insult”, “discrimination” or whatever (or who may just wish to neutralize someone they do not like for political or other reasons)—similar to the communist “peoples” courts. So corrupt and desperate have Human “Rights” Commissions become that in the face of their absurdity and injustice, they have recently declared that truth is no defense for a defendant in their hearings! Bureaucratic decree based upon the specious or tenuous notion of “a balance of probabilities”

replaces “proof beyond doubt.”

Of course, Canada’s Anti-”hate” legislation has given Canada Customs the power to intercept a wide selection of political, theological, historical and philosophical books, tracts, audio and video recordings, etc.—which they regularly do, either delaying or prohibiting delivery. Needless to say most of these Customs personnel are not educationally or intellectually qualified to assess the merit of such publications even if they had a legitimate right to do so. They are sent to an office in Ottawa where one or perhaps several “experts” pronounce on the validity or acceptability of the content of these publications—apparently as if they know the final truth of matters which real experts and amateurs have debated for centuries. The sheer arrogance of all this is breathtaking!

Canadian “Human Rights” legislation is a violation of citizens’ rights and protections derived essentially from Christian principles and going back to the British Constitution as evolved from the Common Law, from the Magna Carta, the British Bill of Rights, etc. Much effort and sacrifice has been expended over history to secure these rights and protections and to let them go by default is a betrayal of everyone present and of those who struggled historically to secure them.

Canadian criminal and civil law has long been established with adequate measures to deal with anyone who perpetrates or advocates violence or fraud against any individual or individuals. Individuals and groups who take part in the political process must have their policies and actions open to full

public scrutiny. The suggestion that Canadians are so irresponsible, ignorant and fundamentally vicious that they cannot be allowed to access information and debate matters which relate to public policy is simply outrageous. It is a denial of even a pretense of recognizing the full democratic process as a legitimate and proper function and right of the citizenry. Such a position allows the possibility for a minority to usurp, without critical examination and with impunity, the rights and powers of citizens to determine policy in a democratic state. Technically, in Canada, of course, we do not have a “democracy” but rather a Constitutional Monarchy with Representative Government. This in no way negates the validity of the above comments, however.

I know that recent developments in the United States have created similar, if not identical, problems in your own country—problems resulting, in my opinion, largely from seriously flawed and ill-advised, if not outright illegal foreign policies and aggressive military action. Canadian citizens, of course, have a responsibility to manage our own affairs and it is embarrassing that citizens from other nations should have to come to our assistance. The failure of our educational system to impart to students a thorough understanding of our past Constitutional and Common Law history and institutions has led to an inability to defend them. That is our problem. Nevertheless, I wish to thank you for your very positive input to the nature of the totalitarian policies with which we are beset—policies which not only rob our citizenry of their rightful freedoms, but which in the end lead to increasing cynicism which discredits those very historic constitutional, legal and political institutions which should protect us. This is evidenced by the growing popular disillusionment and

contempt for politicians and the political process in general.

Sincerely
Wallace (Wally) Klinck

The Last Rally

(contd from page 14)

owning or part-owning their ships, into a vast mass of proletarian men existing upon a wage, their livelihood more and more dependent upon a few masters who controlled all the activities of the State. Today the life of England has fallen almost wholly into the hands of monopolists, especially the monopolists of credit under the banking system.

This new book of mine, “The Last Rally,” being the episode of Charles II and his reign, deals mainly with the development of a struggle between Monarchy and Money-power; but it has to speak of other things, some almost equally important.

Hilaire Belloc 1940

The Last Rally: A Story of Charles II has recently been reprinted by IHS Press, ISBN: 0 9718286 4 4.

We hope to feature a review of the book in a forthcoming issue of *The Social Crediter*.

What is Credit?

Credit is the correct term but can be translated as the nation’s money supply. It is time the public were told more money facts. Society now functions on a continuous flow of credit that is owned as debt to banks. Modernisation requires that MPs pass legislation to return Society’s Credit to society ownership so that Society can function on a continuous flow of its own credit, NO DEBT, NO INTEREST COST, and it can be accessed for constructive government spending.

Banking reform can be a simple

smooth change that can bring fair financial benefit to everyone. Bankers do an excellent job as the nation’s book keepers and we need and welcome them to continue in this function.

All consumer spending comes from credit supplied by bankers and flows through industry and commerce and paid to consumers and investors as wages, salaries and dividends;— incomes are spent on consumption and the money (credit) returns to banks and with banks’ approval is ready to flow again as credit through industry according to consumer demand, to finance the next cycle of production. Banks own our money supply. All citizens are taxed to pay income to those not in the private workforce but are providing crucial community services.

Now the community’s credit flows in a continuous cycle. It enters via bank loans financing production and cancels on consumption as traders return it back into banks. Industry and commerce is not financed from people’s savings, Industry and commerce operate on credit supplied by banks. This credit is “Society’s Credit”, our mutual credit, and Social Credit assert it should be owned by society.

Bankers do an excellent job as the nation’s book keepers and we need and welcome them to continue in this function.

In general terms it is correct to state that all business is conducted with “Society’s Credit” All our production and distribution industries operate on credit, even smaller businesses operate on bank credit, the medium-sized businesses borrow large credit loans of even millions and some of the biggest companies, example Foodtown and Woolworths, need and use billions of Society’s credit.

Henry Raynel is a social creditor from New Zealand. This extract is taken from a message to New Zealand banking reformers

The influence of C H Douglas on his contemporaries

This article appeared in a special, four-page supplement of The Scots Independent to celebrate the centenary of Douglas's birth in 1979. It was compiled by Jack Hornsby

The first public presentation of C H Douglas's economic analysis appeared in the December 1918 issue of the *English Review* under the title 'The Delusion of Super-Production'. This was to be soon followed by his first major work, *Economic Democracy*, which before publication in 1920, appeared serially in the *New Age: A Weekly Review of Politics, Literature and Art*, edited by A R Orage.

In his autobiography, Augustus John states: 'A R Orage was a friend of mine. The literary generation of his time owes much to Orage. Under his editorship the *New Age* became the best and liveliest weekly. It carried no advertisements and in that respect was both unique and commercially unsound. I thought Orage's notes on the first World War were as judicious as they were exemplary in style: he was so often right. After a period given up to the exposition of Guild Socialism, Orage fell under the spell of Social Credit as expounded by Major C H Douglas. I painted the major and was impressed by his personal dignity and charm. Unmoved by obloquy or boycott he stands apart, urbane and imperturbable....'

In an American publication, *Commonweal*, in a series of four articles on the theme of an editor's progress, in the second bearing the title 'The Douglas Revelation', Orage recounts:

'One day, about a year after the Armistice, there came to my office, with a personal introduction from my ex-colleague, Holbrook Jackson, a man who was destined to effect a beneficent revolution in my state of mind. Major C H Douglas, as it appeared, had been for already nearly a year engaged in trying his

ideas upon various persons and personages, political and journalistic. His ideas concerned the problems of finance; and I quickly gathered that they were difficult to understand and had been "turned down" or refused a patient hearing wherever Major Douglas had adventured them. This was nothing to me who had often boasted that the *New Age* owed its "brilliance" to the rejected stones of the ordinary builders; and everything about Major Douglas made him personally and intellectually attractive....

'He had been assistant-director of the Government aircraft factory during the war; he was a first-rate engineer; he had encountered financial problems practically as well as theoretically....His knowledge of economics was extraordinary; and from our very first conversation, everything he said concerning finance and its relation to industry — and, indeed, to industrial civilisation as a whole — gave me the impression of a master-mind perfectly informed upon its special subject. After years of the closest association with him, my first impression has only been intensified....In the scores of interviews we had together with bankers, professors of economics, politicians and businessmen, I never saw him so much as at a moment's loss of complete mastery of his subject. Among no matter what experts, he made them look and talk like children....

'The Douglas positive proposals were as impeccable as his analysis; only they could not be carried into effect owing to the stupidity of the community that needed them....Here was Douglas's idea which, if I may repeat myself, promised a way out for everybody from the economic morass. All that was needed was that

everybody should sufficiently wish to be out of the morass to be willing to try Douglas's way. But how to make everybody really wish — that was now the question for me.....'

Orage was to fail in that quest, as did John Hargrave, founder-leader of the erst-while Social Credit Party of Great Britain and Northern Ireland. But in recent times, in the course of a concise appraisal of Douglas's stature, Hargrave pinpoints the kingpin of the technical analysis and proposals thus:

'Douglas goes down in history as one of the Great Discoverers and Innovators. He joins the illustrious roll of those who have given mankind new powers, new implements, new methods of vital importance in the development of human life on this planet.

'We do not refer to "gadgets" or improvements. We refer to fundamental discoveries. That which he revealed — and it could be jotted down on a half sheet of notepaper! — takes its place with the basic discoveries of those Unknown Experimenters who, by chance, insight, or empirical trial-and-error, laid the foundations of whatever culture and civilisation we possess. We are thinking of such Nameless Benefactors as the First Man to —

- make an Edged Tool (flint knife)
- tie a Knot
- think of using a Lever
- hurl a Throwing Stick (spear)
- hollow a Dug-Out Canoe
- shape a Clay Pot
- make and use a Wheel
- kindle Fire

'It is in this category that we have to

place the work of Douglas in the field of economics and finance. That is, in the first order of importance. In this connection, we recall the words of the late Sir Basil Blackett, a director of the Bank of England, spoken at the time of the ‘economic blizzard’ in 1931: ‘It may be that even now, just around the corner, there is waiting for mankind some very simple device comparable to the use of the cipher in numerical notation or the placing of the axle under the centre of the carriage, which will revolutionise our financial theory and practice, and save future generations from the recurrence of the disastrous sequence of boom, slump, boom, slump.’

‘Over a decade before this, Douglas had revealed ‘the very simple device’ — so simple that the majority of orthodox minds boggled at it, without however, being able to destroy its devastating logic. Can it be that Sir Basil was in fact referring, somewhat cryptically, to this when he said: ‘It may be that even now, just round the corner, there is waiting for mankind...’? (Not long after speaking of the ‘very simple device’ Sir Basil was killed in a mysterious car accident while motoring in France).

‘What, then, is this ‘very simple device’ that Douglas made known, and that could be written on a half sheet of notepaper? It is a technical formula, set forth as follows:

Cost: Price:

: · Production: Consumption

therefore: Price per ton =

Cost per ton x

Cost value of Total Consumption

Money value of Total Production

‘A simple explanation of this formula is: that the scientific price of any article to the consumer is the cost of the production (‘using up’ of other articles) during the period of production.

For the first time in human history it becomes possible to calculate the exact – the scientific, as opposed to orthodox financial – cost (and therefore the price) of any article offered for sale.

‘This formula is in fact the kingpin of the technical aspect of what is known as Social Credit. It is arrived at by logical sequence from a consideration of Douglas’s world-famous ‘A + B Theorem’, which reveals that there is, and, under the present financial system, must always be, a shortage of consumer purchasing power. From the Cost: Price Formula (set out above) we arrive at the need for the Douglas proposals (1) the Consumer Dividend, popularised as ‘Dividends for All’, and (2) the application of the Scientific (Compensated) Price at the retail-end. The Principles governing any application of his Proposals were formulated by Douglas as early as 1924. They remain today absolutely inviolable, and cannot be set aside or ignored by any governing power attempting to implement Social Credit.

‘All great ideas are simple. And just because they are simple, they are difficult to grasp by complex (muddled) types of mind. Perhaps Sir Basil Blackett’s mind ‘saw through’ the complexities (muddleheadedness) of orthodox financial theory and practice.

‘What manner of man was this Scots engineer, Clifford Hugh Douglas?...In looks and personality: Bland, smilingly Enigmatic, Buoyantly Self-Confident. A Buddhist Imperturbability seemed to enfold him. In build, comfortable, somewhat stout and stocky. A typical ‘John Bull’ type, you might think: indeed he would not have been out of place as ‘mine host’ at the sign of the *Jolly Miller*. Because of the

gigantic cranial development — the great Domed Head dominated the whole physical structure — you wouldn’t notice the rather short legs. Then the brilliant blue eyes would light upon you — smiling, always smiling: lit by joviality of spirit — blazingly alert, honest as the day, scalpel-sharp.

‘How mild he seemed to be, quiet spoken, extraordinarily exact in verbal expression, a disconcerting master of the Socratic method, never ruffled — smilingly authentic in logic-tight statement, sometimes a little pompous, a little aloof, usually unanswerable, replying to an involved and long-winded question by a counter-question of six short words that destroyed the argument outright, revealing its naked stupidity for all to see.

‘Known as ‘Major Douglas’, he proclaimed himself a Tory, but in reality was nothing but himself. There never was an outstanding thinker who looked so normal, so non-cranky....he remained always the Man Who Held the Answer to the Economic Problem. He maintained the same attitude throughout: ‘If you want the solution, there it is — take it and apply it’.

‘A penetrating intellect, and a sea-green incorruptible if ever there was one.’

April 1979

Sir – Congratulations on your excellent Social Credit Supplement to this month’s *Scots Independent*.

Prior to World War II, the late Lord Keynes, the arch-priest of Establishment economists, privately admitted that C H Douglas, whose ideas and revelations concerning economics were diametrically opposed to his own, and were also anathema to the international financiers, was “the greatest

economist in the world”.

In pre-war days Major Douglas filled many of the largest halls in the country. There were Social Credit groups in most of the large cities, and the Movement produced a weekly and several monthly periodicals.

The outbreak of World War II, and the subsequent boycotting of any mention of Social Credit in the mass media, has since resulted in nearly two generations knowing nothing of Douglas and his civilisation-saving proposals.

You have therefore performed a great service in lifting this boycott, and in providing your readers with the source of information, which, if implemented, could solve our economic and financial problems to the benefit of all, and to the detriment of none (except the international financiers). May they “go to it”.—
Yours etc

Frank Barter FCA

This letter was published by the *Scots Independent* after the paper had celebrated the centenary of Douglas’s birth with the Social Credit Supplement from which the preceding article was taken.

Centenary

This year we (or some of us) have been celebrating the centenaries of the births or deaths of many people famous in their various ways: Rowland Hill, originator of the Penny Post; the newspaper magnate Beaverbrook; the actor Garrick; Captain Cook, the explorer; Einstein with his Theory of Relativity. The bicentenary of Grimaldi, the clown (born December 18, 1779) is yet to come.

The centenary of one remarkable man, however, does not seem to have been celebrated at all, or even mentioned in the world at large. He is

C H Douglas (“Major Douglas”), the Scots engineer and economist who originated the theory of Social Credit and was born on 20 January, 1879.

That Douglas should be dismissed as an obscure crank is natural enough. What is interesting is that he should, in the centennial year of his birth, be totally ignored, passed over as though he had never existed, even as a curiosity. Why should this be so?

In his book “The Monopoly of Credit,” published in 1931, Douglas wrote: “Considered as a means of making people work, (an aim which is common both to Capitalist and Socialist party politics) the existing financial system, as a system, is probably nearly perfect.

“Its banking system, methods of taxation and accountancy, counter every development of applied science, organisation and machinery, so that the individual, instead of obtaining the benefit of these advances in the form of a higher civilisation and greater leisure, is merely enabled to do more work.”

Douglas believed that the ultimate outcome of this system, reached through wars and catastrophes on a scale he could not then foresee, would be a Total Work State – the One World for which we are constantly exhorted to hope and pray.

Had Douglas discovered, in his deceptively simple but percipient Scots engineer’s way, something about the modern world which is not thought good for us to know or even speculate about? Is this why the centenary of a man remarkable by any standards must go unremarked?

Peter Simple

This article first appeared in *The Daily Telegraph* London 19 October 1979

www.douglassocialcredit.com

West Riding Summer School

This report appeared in *Social Credit: A Journal of Economic Democracy* *The Official Organ of the Social Credit Secretariat* on Friday 17 August 1934.

The Summer School held at Seacroft School, Skegness, By the West Riding Douglas Social Credit Association from August 4th to 18th, is proving a great success.

The technique of Douglas Social Credit has been most lucidly and exhaustively dealt with by Reginald Kenny, Esq., and C M Hattersley, Esq., MA, LB. Aspects of Social Credit have also been dealt with by Dr Neil Montgomery, President of the West Riding Association, John Hodgson Esq., of Southampton Group, Major Bonamy Dobree, Eimar O’Duffy, Esq., and RJ Scrutton Esq. Lady Clare Annesley has acted as hostess with her usual charm, and Mrs Hattersley and RGS Dalkin Esq., Vice-Presidents of the West Riding Association, have acted as chairmen.

The members of the School feel, as a result of their lectures, much better equipped to act as Apostles of Social Credit, and the beautiful surroundings which, as all the world knows, “are so bracing,” have assisted in the recuperation of all, added physical recuperation to the mental stimulus.

The West Riding Association is now looking forward to a vigorous Autumn and Winter campaign to culminate in a great rally to be addressed by Major Douglas at Bradford on February 6th.

The rally referred to attracted an audience of more than 2000 people. A report of that rally appeared in the journal and copies are available from the Secretariat.

Thank you to our readers who have renewed their subscription for the current year. The Secretariat keeps its costs as low as possible, but as a voluntary organisation, we depend so much on the support of our readership.

Social Credit?

The term Social Credit was popularised in the writing of C.H. Douglas after WW1. We could as easily say “society’s credit”. It involves differentiating between real wealth and money. Money ought to be only a measure of real wealth, which is the real physical things we need from water, to clothing, to houses. Social Crediters, if they can be called that, (though I don’t like labels all that much) recognise that we live in a very abundant world with plenty for everyone and that the cause of poverty is not essentially the reason given by the socialists and other collectivists (i.e. too few having too much) but a fault with the money system. Essentially what Douglas, an engineer of great note, discovered, is that, as things stand, in ANY given period of time, insufficient purchasing power is distributed to be able to cancel total prices. And businesses cannot lower prices to match the insufficient purchasing power because they are dictated to by the cost-price structure. This is the explanation of ever increasing financial debt (the debt enables all, or most production to be consumed). Put a little differently, the man-made financial system is out of kilter with the physical realities of the world. Labour-saving technology adds to the problem of insufficient purchasing power, but really, labour-saving tools ought to be seen as an advancement for people, freeing them from the more boring tasks. Douglas was the first to suggest a “national dividend” using an issue of new debt-free money periodically, issued equally to each citizen. This dividend would be the amount covering the difference between total prices (all price labels on all goods) for that period and the lesser amount of money already issued as wages, salaries or dividends.

Social Credit recognises something called the Cultural Inheritance as

being the dominant factor in today’s mechanised production system. Socialists and collectivists still say it is labour. The cultural inheritance is all the knowledge and techniques and infrastructure inherited from the past and given at no “real cost” to those now living. Thus, the proposed dividend recognises that the cultural inheritance belongs to everyone. There is no threat to private property. The cultural inheritance includes the long-established experience of private property and people’s need for this, but that everyone has a right to the fruits of industry.

Some people, after a cursory look at the social credit proposals say that this would result in greater consumption and add to problems like city congestion and pollution. But they fail to realise that the existing system overproduces and forces upon societies ever-expanding industrial growth, because the capital expenditure involved in such capital expansion is a source of purchasing power to enable consumption of existing production. The issue of some debt free money would mean that we would only need industrial expansion if there was a real need for more goods and that physically we are already over-producing. The existing system is highly wasteful of natural resources and of people’s time and talents.

Bill Daly is the editor of the New Zealand social credit publication *On Target*.

Businesses small, medium or big must function this way; there is no other way, until the pricing system is modernised by a progressive parliament. Multinationals are the evolutionary result of faulty economics and can be appropriately remedied when Society has ‘New Economics’.

Unfortunately the present economics brings out the worst in human beings.....We have been raised in a faulty money system and have got to worship money. (Henry Raynel)

Book review

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

Routledge 1997 pp197 £25.00
ISBN0 415 14709 3

This remarkable book on the history of social credit was given to me by Michael Rowbotham some years ago. I must have read it carefully at the time for my margin pencillings are much in evidence. But clearly it required the disturbing developments in the intervening years for me to make a greater effort to appreciate fully some of the conclusions that Major C.H. Douglas had arrived at. The problem was that he was using an approach that varied from that of less unconventional reformers – to the point that they did not even grasp what it was that he was seeking and to an extent actually found.

Reflecting that, his solutions and even his language seemed clumsily at odds with the accepted vocabulary and grammar of economic thinking, right or left. Even his A and B Theorem which seemed to us an unschooled blunder of an engineer lost in the labyrinth of accountancy and economic thought.

But the misadventures of the world are forcing us to penetrate the obscurities of his language that barred access to many potential allies.

But a bit of background. “The writings of Major Douglas gave rise to the social credit movement, popular throughout the inter-war years. Douglas’s earliest books, *Economic Democracy* and *Credit – Power and Democracy*, first appeared in serial form in the socialist journal the *New Age* in the period immediately following World War I. Close examination of the early Douglas/*New Age* texts alongside the literature of guild socialism reveals that the editor of

the *New Age*, A.R. Orage, provided Douglas with a great deal more than editorial support in the formulation of the original texts. Without Orage's guild socialist contribution [the Douglas doctrine] would have provided unpromising material for a popular debate which was to be sustained over two decades throughout the English-speaking world."

Guild socialism and Douglas had this in common: In their different ways they both questioned the deep faith that Marxist and most brands of socialism shared with the prophets of capitalism – that economic growth was in itself beneficent and necessary, and ultimately liberating. The guild socialists questioned this on esthetic, philosophic and social grounds under the influence of William Morris, John Ruskin, and even of Robert Owen.

The guild socialists saw in excessive industrialization an undermining of the elements of pluralism and local autonomies in earlier societies. Current Globalization and Deregulation with its destructive effects on the environment, the family, the multiplicity of life styles, is only an explosive manifestation of this trend. As important as the effort to safeguard the jobs of workers may be, it is an uphill struggle, given the concentration of power in the financial sector. The incorporation into current price of the rate of growth already achieved brings with it the need to continue that growth, and its rate of its growth into the distant future. The slightest shortfall of this commitment triggers the collapse of the price structure. And since share values serve as collateral for further financing, it becomes unsustainable. The mathematics of the model in fact are those of the atom bomb.

An Unequalled Thoroughness

Douglas-Orage review the nature of money from the ground up with a thoroughness that has few if any equals. "Douglas stressed that

production does not create money. It is possible to imagine a producer in a system of single-stage production [i.e., without the purchase of intermediate goods and hence not incurring costs that have need of money]. Having access to land (which has not been bought) and a discarded spade, and having saved seed potato and horse manure (discarded A), it is possible for a producer to plant, tend and harvest a potato crop at no financial cost. The crop can be put in a discarded sack and sold to a neighbour for £5. Has the producer created £5? Or any money at all? That is the sort of maddeningly basic question Douglas was given to asking.

"Nevertheless, at the point of exchange no value is created. However sophisticated the system, production of all commodities follows the same pattern as the potato example. All production requires inputs from the natural world which the economy cannot create. All production requires human inputs. First, an inherited body of knowledge, as in the ability to save seed, cope with pests and drought and so on. Second, a 'producer' who may be employed or self-employed, but who comes to the task physically developed from infancy to maturity and still requires social care. Neither form of 'human input' is produced through exchange on the market. Wealth creation can take place outside the exchange economy."

Money is a commodity itself. In a single-stage production a large proportion of subsistence requirements can be seen to be produced outside the formal economy. Hence in newly monetized economies 'cheap' labour occurs because subsistence requirements continue to be provided from outside the cash economy.

"Money has no intrinsic properties,

only those which people choose to give it. Hence a comment such as 'There is no money in the country with which to do such and so' is meaningless, unless it is an indication that the goods and services required to perform the task in question do not exist and cannot be produced. In that event it would be useless to create the money equivalent of the non-existent resources. On the other hand, it is misleading to argue that the country 'has no money' for social betterment or for any other purpose, when it possesses the skill, the labour and the material and plant to create that betterment. The financial system in the form of the banks or the Treasury can, if they so wish, create the necessary money in five minutes. Indeed, they are creating money for 'necessary' tasks every day, and have done so for centuries."

"Money can be described as a 'ticket system' whereby money 'tickets' or grants the right to participate in the economy. The ticket office [of a railway] is not the place where the measurement of productive capacity should take place. To orthodox economists steeped in general competitive equilibrium theory the dynamic relationship between money creation and policy formation in production and distribution was incomprehensible."

"In popular belief, banking is understood to be no more than a private pawnbroking transaction between borrower and lender: lenders place their savings in a bank, and borrowers take that same money to invest in new machinery, labour and materials. In reality the banker is in a unique position of lending something without parting with anything, and making a profit on the transaction' (Douglas, 1923). 'The bank lends new money; bank loans create money and the uses to which it can be put are dependent upon these transactions' (Douglas, 1922c).

‘Every credit transaction affects the interests of every person in the credit area concerned, either through its effect on prices or through the diversion of the energies available for production purposes’ (Douglas, 1922c). ‘An overdraft, arranged perhaps on the basis of the title deeds of a factory, facilitates production. However, the overdraft is new money exactly as if the banker had coined goods for sale’ (Douglas, 1920). Hence the granting of credit by a financial institution is more realistically viewed as the creation of a mortgage on future production than as the allocation of the past savings of industry. The term ‘deposits’ is highly misleading, implying something deposited for safe keeping, like jewels in a safe deposit. Bank deposits are not like that. The deposits of commercial banks are to them liabilities, although they are assets to their holders.’

Our Censored Textbooks

“As later explained by *Encyclopedia Britannica*, (1979) – a bank that received, say, \$100 in gold might add \$25 to its reserves and lend out \$75. But the recipient of that \$75 would himself spend it. Some of those who received gold in this way would hold it as gold but others would deposit it in this bank or in other banks. If, for example, two-thirds were deposited, some banks would find \$50 added to deposits and to reserves and would repeat the process. When this multiple expansion process worked itself out fully, total deposits would have increased by \$200 bank reserves by \$50 and \$50 of the initial \$100 would have been retained as ‘currency outside banks.’”

You will find that process explained in even greater detail in just about any textbook on economics published in Canada prior to 1991 when the bill was passed abolishing statutory reserves that banks had to redeposit as security against the deposits

received in chequing accounts. By that the key mechanism of banking had been suppressed. That, of course, and the speculative banking orgies that have taken over since banks were deregulated to empower them to acquire brokerages, underwriting, merchant banking, derivative boutiques, are what have made the ideas of Douglas-Orage more important than ever before.

“‘Problems occur when the banking system operates according to its own agenda, with the requirements of the consumer a secondary consideration. Unlike the social reform business, the banking business is immensely powerful, talks very little, acts quickly, knows what it wants’ (Douglas, 1922b). ‘The quantity of money is dependent upon the power of the banker’s pen. Banks create new money which ranks equally with legal tender as a means of exchange. Although credit is more properly regarded as common property, it is administered by the banker primarily for the purpose of private profit’ (Douglas, 1923, 1919b). According to orthodox theory, money, equivalent to the price of every article produced, exists in the pocket, or in the bank, of somebody somewhere in the world. It is assumed that the collective sum of wages, salaries and dividends distributed in respect of the articles for sale at any given moment is available as purchasing power at the same moment. Some persons may have more money in their pocket or bank than they wish to spend on consumable goods. By abstaining from consuming, they form a fund which enables capital goods such as tools, plant and factories, to be paid for, and therefore to be produced. Crucially, the money which they ‘use to spend or invest is constantly created and destroyed by the banking system for its own financial advantage’ (Douglas, 1924a). ‘Real credit is the ‘effective reserve of energy belonging to the community.’ Its administration has

fallen to the banking system and financial institutions generally. Consequently the ‘creative energy of mankind’ becomes subject to artificial restrictions which bear no relationship to the realities of everyday existence’ (Douglas, 1919b). The potential real wealth of society is communal in origin and should therefore be subject to the control of the entire community. Financial credit is administered by the banking system ‘primarily for the purpose of private profit’ (Douglas, 1919b).”

“The Douglas/*New Age* texts note that banking originated as a private venture, observing that at the time the Bank of England remained a private institution. Nevertheless, the guild socialists did not consider that a politically controlled central bank would be truly independent of private banking interests. Just as state capitalism, i.e., a socialist government under the existing economic conditions would produce wage slavery as effectively as private capitalism, so too would state banking continue the *status quo* in terms of financial control over industrial policy. Hence Orage’s derision of the Labour Party, on its rejection of the Douglas/*New Age* scheme.” History has confirmed his judgment, but it is, however, important to remember the international campaign of the Bank for International Settlements in the 1980s to declare the independence from their governments of all central banks. Given what it had in the works, the world banking community clearly needs all the safeguards and secrecy it could get.

Finance Rules the Rulers of Kingdoms

“The creation of ‘financial credit’ ensures that ‘industry becomes mortgaged to the banking system’ (Douglas, 1924a). ‘Appreciation of the role of finance in initiating economic activity was noted in *The National Guilds*’ edited by Orage

(1914) and originally printed as a series of articles by S.G. Hobson in the *New Age* in 1912-13. 'A great financial network covers the world, operating on an informal but highly centralized basis. It rules the rulers of kingdoms.' Hobson and Orage went no further than suggesting that the (industry-based) guilds would have to become their own bankers, working through a national clearing house."

At this point Douglas formulated his "A+B theorem," which focused on an aspect of financing production quite different from what economists and accountants had even considered.

"In 1908 he had been in India in charge of Westinghouse's interests in the East. One of those concerned the survey of a large district with a view to installing hydro-electric equipment. The prospects were good. On his return to Calcutta, however, it became clear that there was no money to proceed with the project. At the time labour was plentiful in India and the manufacturers in Great Britain were short of orders. Furthermore, prices for machinery at the time were very low indeed. Douglas recalled having been taken into the confidence of the Comptroller – General of India in Calcutta on the matter of 'credit.' He was told of the trouble he experienced with the Treasury officials at home in England, and with their departments in India, in regard to the extraordinary operations they undertook melting down rupees to deal with the exchange. This was done with regard to 'what they called the quantity theory of money.' The Comptroller-General concluded that 'money and currency and the silver rupees, etc., have almost nothing to do with this situation. It almost entirely depends on credit. Silver and currency form only a very small part of financial operations. Douglas noted this for future reference.'

"Some years later, before the outbreak of World War I, Douglas

states he was employed by the British Government at home to design and ultimately construct a railway which runs underneath London from Paddington to Whitechapel. Despite the absence of physical or engineering problems and a plentiful supply of labour, the project could not be completed. Finance lay at the root of the problem. However, as soon as the war commenced, money was available for practically anything.

"After 'an interval' Douglas 'was sent down to Farnborough, to the Royal Aircraft Factory, in connection with a muddle into which the institution had got.' Douglas concluded that the only way to ascertain how work was being allocated 'was to go very carefully into the costing which took place.' The existing costing system produced 'admirable information about what happened three years and two months before, but that was not of any use to me.' According to Douglas, he introduced very early computers – 'tabulating machines' used on the London and North Western Railway. Information was punched on to cards and the cards were put into the machine that processed them. One day it occurred to him that by the end of the week total wages and salaries were not equal to the value of the goods produced during the week. The fact of this happening in every factory across the land *at the same period of time* meant that the purchasing power distributed in the form of wages and salaries will not be sufficient during any week to buy the product unless extra money is being injected into the system each week."

That was the origin and significance of the notorious A+B theorem. It was not enough to point out, as did many including myself, that the discrepancy was because many items produced both as intermediate goods as manufacturing parts, buildings, engineering projects would be useful over many years and would be

financed until they were fully depreciated years later. That is exactly what he wished to free society from – dependence on the financial institutions. Hence he brought in the concept of a social dividend representing the contribution of society over generations in creating the institutions, the inventions, the scientific and technical discoveries that made the productive potential of our world possible. It would include, too, the unrewarded labour of slaves, the contribution of martyrs and prophets that made possible the social and legal framework for modern society and its productivity. That could be allotted to all citizens and it would fill the gap and free society from servitude to financial capital.

Instead of patenting scientific discoveries, even genes, for speculative investors to collect a rent on them, the social dividend would contribute to gear down the drive to maximization of the financial sector. It would encourage alternate life styles that would cultivate other goals than the consumption of highly promoted items of little or negative usefulness.

The contribution of Douglas-Orage to the incorporation of the non-market sectors of the economy – health, education, social security, the environment – is crucial. The power-grab of the banking system that Douglas and his associates identified almost a century ago, have come into a lethal flowering. In the long-overdue reassessment for what passes as economic science, their ideas will require careful attention. The Hutchinson Burkitt book is mandatory for preparing ourselves for the task.

William Krehm is Publisher-Editor of COMer, the journal of the committee on monetary and economic reform. (254, Carlaw Avenue, Suite 107, Toronto, ON M4M 2S6 Canada)

The Revolution Starts (Again) Here

Douglas Social Credit works towards political harmony and ecological sustainability through economic justice based on informed judgement. We seek to enable people to face the economic facts of life openly, so that blind ignorance and economic insecurity will not lead to racial prejudice, violence and oppression.

Douglas undertook a comprehensive study of the global corporate economy in all its financial ramifications. Today, very few can claim with confidence to have acquired an informed understanding of the causes and effects of their routine actions as economic agents. Nevertheless, it is the moral duty of all who benefit from the comfort of living in a 'developed' economy to examine their everyday role as producer and consumer. For this purpose Douglas social credit is an ideal starting point.

We firmly deny all fatuous 'connections' between social credit and racial hatred of any kind. Gratuitous assertions of this type serve only one purpose: they discourage study of an alternative economics designed to replace the ignorance and injustice which lead to racial hatred.

Douglas Social Credit explores the economic feasibility of paying a universal dividend to all citizens so that the compulsion to produce and consume unsustainably could be reduced.

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

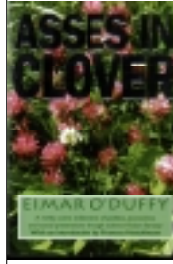
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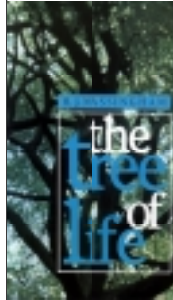
UK inland £7.50 Airmail £11.00

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Recommended Reading



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



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

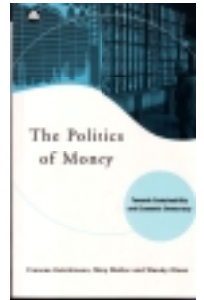
Alan D Armstrong
To Restrain the Red Horse
(Towerhouse £7.00)

Frances Hutchinson & Brian Burkitt
The Political Economy of Social Credit And Guild Socialism
(Routledge £25.00)



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

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)



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

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