Can Quantitative Easing Become Qualitative Compassion?

By Edward Minton

In 2017 it will be 100 years since a minority of one (C.H. Douglas) discovered that, for technical reasons, a deficiency of purchasing power was continuously occurring in our financial system. In the next 20 years this information reached into the highest circles of national financial policy makers. Since Douglas's suggested solutions involved a devolution of the use of new money creations towards individuals who, with all their fellows, constituted the Shareholders in their Nation's industrial inheritance, no corrective action was taken.

All money creations are managed through the world's Chartered Banks who create it as loans and distribute it on the basis that it will be returned to them with interest. One of Douglas's suggestions was that any necessary extra money that needed to be created, should be paid (in large measure) directly to citizens as a National Dividend. To this extent, this would devolve this money's use and direction, and give this measure of control over the nature and type of production to be delivered, to ordinary persons.

The Bankers who managed money creations lived, in their employment, in a Banker's culture, this being of course, a culture with a mindset overwhelmingly given over to serving banking interests. While they accepted Douglas's diagnosis, which meant that unless purchasing power was continuously augmented with more of it, then economic recession or depression was inevitable, they were not disposed to fix the problem in a way which brought benefit to everyone. The control freaks within banking were predominant. They still are, and the advice they still give to Governments reflects this.

In observing the increasing public restiveness at the continuing Great Depression, and the mounting pressure upon Governments to act, it was clear that eventually government would fly in the face of banking with unorthodox policy, and for all the sanctions of Banking, those of Government are, if marshaled, far greater. Even the King of England (Edward VIII) in speaking to desperate Welsh miners promised that "Something will be done" and the renewal of the Bank of England's Charter was looming up, and needed the King's consent.

What was needed by banking interests was a rationale or theory whereby the deficiency of purchasing power could be ended by the banks themselves in their normal way, that is, by considerably increasing the money supply and increasing it in their preferred way of creating greater public indebtedness to themselves. By the mid-1930's this was to hand, and came in the form of "*The General Theory of Employment, Interest and Money*" by John Maynard Keynes.

Keynes was very familiar with C. H. Douglas's analysis. At the 1930 Macmillan Parliamentary Commission, of which Keynes was a member, he had read Douglas's written submissions, witnessed his interrogation, and questioned Douglas himself. Keynes proclaimed this familiarity in the last page of his General Theory which dealt with economics, which was devoted to a criticism of Douglas.

Both of them in their ways believed that the shortage of purchasing power was due to "lost savings". Douglas's contention was that some savings had been "lost" through the use of income from previous cycles of production, though still a valid cost to future production, being used to retire debt which thus cancelled these deposits out of existence. Keynes's contention was that they occurred through entrepreneurial reticence to reinvest. The location of these funds which were existent though lost in the Great Depression has even to this day, not been discovered.

Keynesian economics was still resisted by banking elements who thought that the inflation which it would bring, would depreciated the value of their mortgages. In 1939, 10 years after the Wall Street crash, unemployment in the USA was still at 17%. But then, as John Kenneth Galbraith has pointed out, the actions of Hitler in vastly increasing Germany's money supply to finance his war, brought a rush to follow suit, and a Keynesian triumph.

The intervening years between then and now have brought periods when some economists, among them Milton Freeman, contended with Keynesian thought; however the housing mortgage meltdown in the United States brought a panicked rush back to Keynes by 2008. This brief tour of the finance-economic history of the last 100 years brings us now to the policy of Quantitative Easing.

The ever increasing need to expand the money supply is now acknowledged across all financial sectors, economic commentators, and amongst all the public who take an interest. Says Law, which contended that the money required to buy all production is always available to buy it, is now as dead as flat earth theories and pre-Copernican planetary thinking.

Two questions remain. One is much addressed, it being by ***how much*** to increase the money supply? The other, neglected almost to the point of absolute avoidance, is ***how*** to increase it?

Yet a strong case can be made for addressing these as one question. For example, if all new money creations were issued to retailers in return for their lowering their prices by a like amount, the amount needed to increase purchasing power would be decidedly lower. If all was issued as a National Dividend requiring neither interest or redemption, and therefore occasioning neither higher prices nor taxes for its recovery, again this would bear on the "how much".

Douglas suggested a full set of National Accounts to assist with the "how much", which would include National Balance Sheets which have never been done, though for public corporations they are mandatory. He also suggested other national accounts which would quantify supply against effective demand and asset depreciation and appreciation.

Central Banks take in enormous data in considering their monetary expansions. That all money supply increases will be as debt, and have the consequences of debt repayable at interest, is an absolute given in current thought. Their two tools in influencing monetary aggregates are the setting of interest rates, and the purchase (or sale) of securities.

Controlling interest rates is useful in dictating the upper limits of money supply. Since there is no theoretical upper limit to interest rates, at some point the borrowing of extra money into existence will cease. In times of public panic the lowering of interest rates has less success in deciding the money supply.

Experience in Japan and more particularly, recently in the USA, has shown that even 1% interest may not induce sufficient borrowing to bring an economy out of recession. If recession is causing capital values to fall, buying them at any interest rate is a losing proposition. Even if negative interest rates were proclaimed by a Central Bank, this would not necessarily induce people to spend any money which they may have chosen to borrow.

In this way, since inducing private borrowing cannot be made sufficient to end recession, only governmental action remains. Since society has a mental block which prevents it from even considering an increase in purchasing power which does not require it to be reduced later by a like amount, that is, by repayable debt, the options are very few.

One can't distribute it to the people who need it most, or democratically to everybody in equal shares, because mortgages would have to be written and registered to every living adult person. Furthermore, collecting on the debt would be a gargantuan undertaking. For this reason quantitative easing funds can only be given to Government or its instruments, large corporations, or individuals of very high net worth. In other words it can only be given to those who have no unmet personal needs, and whose best prospect of repaying it, is to extend their monopoly in their neitch of operation. A more perfect formula for making the rich richer, with the rationale of attaining some crumbs for the poor, escapes imagination.

In this scenario, the "trickle down" to Average Joe is both slow and limited, although the "paying up" a little later with higher taxes and prices to repay every cent of QE debt, is assured. To get this QE of approximately $300 per month ($85 billion going to 300 million people) labour or assets have to be yielded up to the favoured QE beneficiaries, ***however,*** having paid for it in this way, the public still has to meet the cost of this debt repayment, with interest, in higher prices or taxes which must be charged later to repay it.

So Average Joe pays once for QE funds by contributing his labour or substance to get them, and again, with more of the same, when public charges are made to repay them. Get them once and be thankful, pay for them twice Joe and don't grumble. One would think that the "representatives of labour" the world over would be outraged. Revolutions have been made for less, surely? The politics of labour doesn't work that way.

Douglas once had a discussion with Sydney Webb when he was recognized as the leading personality in the influential Fabian Socialist Society. At first, dialogue centered around technical matters such as why a deficiency of purchasing power continuously occurred. In this area Mr. Webb was brought to concede all points, however in doing so he immediately followed with the statement ***"I don't like your object".***

The conversation no longer had anywhere to go. Douglas, who repeatedly made the point that policy always emanates from philosophy, knew immediately that what each was trying to do was in opposition to the other.

Webb's object is well enough known. It involved using the working man's movements to "reshape the world closer to the heart's desire". The engine room of the Fabian ship reposed in the compulsion to work, and was fueled by every oppressive and unjust condition imposed upon labour.

The simplest exposition of Douglas's object may be taken from the quarterly journal which he edited, "The Fig Tree". Each edition of which contained on an otherwise blank page immediately preceding contributed articles, the following;

But they shall sit every man under his vine

and under his fig tree; and none shall

make them afraid

Micah iv, 4.

The double payment for the provision of credit (as in QE or otherwise), is no less than the theft of the National Dividend. It is not simply stolen, but stolen in the interests of imposing the greatest possible control over the human organism, and this in the interests of a consortium of elites. It is quite wrong to attribute this crime against humanity simply to the Banks, because the other participants in this control, and whose powers are greatly enhanced hereby, are the controllers of capital ***and of labour!*** The greater the inconvenience of production, the more is labour required, and the more power is accrued to labour's "leadership".

The cost of production is the sum of the consumption used up in delivering it. In financial terms, this cost takes the form of wages, salaries and dividends paid out in the process, these constituting effective purchasing power in the hands of consumers. The insufficiency of purchasing power, which alone justifies QE or other increases in the money supply, arises initially, wholly from the profitability of the national economy involved. When preceding national profits so arising have been monetized by issuing debt, this debt itself and the servicing of it adds to the deficiency of purchasing power, albeit at a later date of course, exacerbating it further.

In this way the national debt is the accrual of all national profitability previously stolen. The whole of society has contributed these profits through their myriad efforts. It is absurd to appoint the Banks as the sole repository of the dividends accruing from a people's efforts, and criminal to then demand their repayment with interest. Who will deny that natural justice is due to all persons irrespective?

And so at last to the not inconsequential matter of compassion;

The current system imposes debt in place of dividends, it decrees that service will only be recompensed when serving objects imposed by others, it values labour and consumption which is wasteful, antisocial or even environmentally suicidal equally with these when they are serving genuine human satisfaction. It imposes economic restraint in the face of bludgeoning abundance, it steals men's lives in the service of unnecessary and unwanted objects, and justifies all manner of activity which would never take place were it not for the need of a quid (ie. Cash).

Of utmost importance, it creates a world where a scarcity of money, creates a greed for it, where the insecurity resulting from inflation and heavy taxes produces an obsession with having "more", and where every possible moment of the vulnerable is filled with their being urged through every medium to consume, buy and spend their way into some utterly unattainable utopia. The stress of financial survival is reflected in personal relationships with marriages, children in two income families, and communities suffering in all manner of ways.

The national dividend, to the extent that it can be had, will carry the social message "Relax, take a little more time for each other, if you want to do something, and you will, make your contribution to society in the way, and for the ends, of your own choosing. Discover a little more of the 'yourself' which is not imposed from without".

What the world needs now, is a human movement towards the fig tree.

