The Environmentalist's Environment

By Edward Minton

Environmentalists have an exceedingly large back yard and myriad children in it for which to care. "Greens" obviously concern themselves with the world's plant life, but the diversity and health of earth's fauna is also part of their care. The pollution of soil, sea and atmosphere is also a critical area of interest, as all life forms are bathed in these.

Yet while this watching brief is huge in its coverage, it has one curious blind spot. Curious because of all the means of reducing man's unnecessary economic activity, and allowing best practice to displace damaging ones, this has perhaps the greatest potential of all for instituting a policy of healing the earth. The purpose of this essay is to make the case for attention being given to this special opportunity for a healthier environment.

I refer of course, to that subject which has been a Green's no-go area for decades, namely ***toxic finance.***

Money itself is not the problem, as it is, at base, simply a symbolic demand system, a ticket system with open ended claims created by mankind for his convenience. Bus tickets and theatre tickets have specific rights of demand, but money may be exchanged for anything at all offered by a willing seller.

The real issue is in ***how*** money is issued into society, upon what terms and conditions, and in the activity this compels. However before we come to this, some well-established basics have to be understood.

With the exception of about 2% of money which is produced by the Mint in the form of notes and coins, all money is now created by our banking system. Literally created. How?

The key to understanding it is in observing that when a Bank makes a loan, no deposit is reduced. When the loan is spent, the account receiving it is increased by that amount. No deposit is reduced, though one is increased. Money has been created.

There are hundreds of authorities which have attested to the fact that this is how it works. I give just a few. The quote below is from Robert H. Hemphill. (1)

If all bank loans were paid, no one would have a bank deposit, and there would not be a dollar of currency or coin in circulation. This is a staggering thought. We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation, cash or credit. If *the banks create ample synthetic money, we are prosperous; if not, we starve. We are absolutely without a permanent monetary system.*

When one gets a complete grasp upon this picture, the tragic absurdity of our helpless position is almost incredible–but there it is."

Graham F. Towers, Governor of the Bank of Canada, gave these responses to questioning before the Canadian House of Commons Standing Committee on Banking and Finance on 3rd May, 1939 from existent Parliamentary records.

Question. *But there is no question about it that the Banks do create that medium of exchange?* -Answer. *That is right. That is what they are there for.*

Question. *So that we are clear on this point that our merchant banks do create and issue 88% per cent of the money medium of exchange in common use in Canada to-day?* -Answer. *Roughly.*

Mr. R. G. Hawtrey, one time Assistant Under-Secretary to the British Treasury, in his "*Trade Depression and the Way Out",* 1933, Published by Longmans, Green & Co of London, ASIN: BOOCLGSVWO says: *"When a bank lends it creates money out of nothing."*

The Encyclopedia Britannica, 14th Edition, 1929, under the heading Banking and Credit (vol. 3, page 48) says: "*Banks create credit. It is a mistake to suppose that bank credit is created to any important extent by the payment of money into the banks. It is a clear addition to the amount of the means of payment in the community."*

And a final quote, from Governor Eccles, then Chairman of the U.S. Federal Reserve Bank Board who said in giving evidence before the House Banking and Currency Committee hearing in 1941: "The banks can create and destroy money. It's the money we do most of our business with, not with that currency we think of as money."

Of course somebody has to create our money, for a complex society cannot operate efficiently without it. This money is created without cost, and it has in itself no value either, until we, the community, confer value upon it. Because others will accept it in exchange for their disposable goods and services, it is given value to ourselves.

It is Real Credit which gives Financial Credit its value. Real credit resides in the ability of the community to deliver desired good and services when, where, and as required. Financial credit draws its value from the community, not from the Banks. Yet in our archaic system the Banks which create our money count it as their asset, and demand its later return with interest. It is from this complication that a gross distortion of the human economy grows.

The need for an increase in the money supply is a reflection of the community's profitability. Only when our products outstrip the purchasing power available to buy them, is increased credit needed. This national profit, an increase of real credit over our financial credit available, thus becomes through the bank's use of their privileges, our **National Debt**. An excess of real credit (ie. goods and services) over financial credit (money), and our national profitability, in this way becomes our cumulative and ever bludgeoning National Debt.

This is clearly an incorrect approach which does not reflect the true, real or just situation. If the above is accepted as so, then the need for a money supply increase would be paid as a *National Dividend*, and as such would not be recoverable as is debt.

The importance of this resides in the fact that the distribution of a national dividend equally to all, will to this extent displace wages and salaries as a source of purchasing power. At the moment, when the only source of purchasing power is wages and salaries, if we cannot buy what we have already produced, we must produce even more, so that the incomes paid out in doing so, will allow us to consume what we have already produced. There is no end to this scramble. When production exceeds needs in one cycle, it must do so again in the next, or recession appears.

With production methods now such that scarcity has been pretty much completely removed from the developed economies, the most outrageous devices are resorted to by way of "cures". Built in obsolescence, the creation of artificial needs with intense advertising daily battering the population to "consume more", the piling up of regulation upon regulations in order to increase the labour needed for everything, and the urging of Governments and all others to borrow and spend more and more, are among the results. In order to earn more, because we can't afford to buy what is now produced, we must produce yet more again, and consume more still.

Without a national dividend to distribute purchasing power commensurate with consuming our production, we really only have two ways to keep the economy going. These two ways are employment, and the creating of additional money as debt. Both are dependent upon the obsessive fixation of all Governments everywhere with growth. Growth at any price! Growth, growth and more growth! To even have reservations here is to be politically incorrect. Douglas's first published written article on the matter was called the "*The Delusion of Super Production*" and said in part "*There is no more dangerous delusion abroad in the world at this time than that production **per se** is wealth – it is about as sensible as a statement that because food is necessary to man he should eat continually and eat everything*." (2)

Social security does not increase purchasing power, it simply redistributes it. In total aggregate it remains, at best, the same.

In a world in which automated and semi-automated processes are daily displacing labour in industry and commerce, and the cry is for greater efficiency, there is alongside it, the ever present demand for full employment, and innovative ways of creating it. As our ability to produce is advanced, and more people world-wide attain modern production methods, the earth will have to be torn apart to obtain the resources to keep us all fully employed. No, we won't need all this production, we already have surpluses of almost everything, but we will need em**pay**ment, and the only idea we have for doing this is employment.

Whenever Green activists call for the stopping of some activity, whether clear felling forests, mining in sensitive areas, chemical pollution by industry, or otherwise, the one clear and unceasing cry in response is "But that will cause unemployment". Full employment has become almost an object of worship, not for what it can produce, this is largely unneeded, but for what it can distribute, namely purchasing power, and for which no alternate method of distribution may be contemplated.

A national dividend to distribute that new and additional money which has to be created, both can and must displace wages to the extent that extra money is necessary. Its impact though, will go much further than supplementing wages. Being issued under Government authority, not as a debt, and requiring neither interest nor repayment, it simply being a bookkeeping entry on a National Balance Sheet, and coming to the public as a credit, it can and will liquidate the same amount of debt. All modern developed countries increase their money supplies by an average of over 10% per annum on pain of falling into the deepest of recessions otherwise.

Half of many local government's charges go in servicing yesterday's debts. All debt flows into higher prices and taxes as the means of repaying it are sought. As debt free credit is progressively issued to monetise the ever recurring profitability of modern economies, these credits will cancel debts in like amount. Only credits, of course, can cancel debts. As debt atrophies so too will much of the need for empayment. Resources to keep everyone fully employed all of the time will no longer be required.

The above ideas are not new and they are much more developed than the simple sketch drawn above. What is generally referred to as social credit began marshaling its ideas almost 100 years ago, and it has its web sites, www.socialcredit.com.au being one of them. Both the philosophical and technical aspects of these ideas are explored at depth.

Of course, there is opposition. Capitalism wants all people to be under its direction through full employment, and Trade Union leadership wants all to be workers as that is their power base. This is a third way, and its beneficiaries are the ordinary people fitting neither above category.

Employment, to be sure, is a natural state of man. It was once mostly organized through the institution of slavery. Currently it takes the form of paid employment. In the coming world where computer controlled machines and processes do the work, and most will receive their right to participate and consume as a national dividend, work will continue. But it will continue largely on the basis of freely given service to others, which will be solely chosen by the worker himself in consideration of his interests, talents and abilities, and upon the needs of the community which he loves and serves.

The alternative is a frantic hysteria of activity, predicated upon maximum employment, maximum mechanization and automation, maximum production, maximum consumption, and a maximum burning up of the earth's resources. In this world environmentalism will only win small battles at the margins, in the midst of an unstoppable conflagration.

It's time for environmentalists to think outside of the square; to attend to the creation of a human financial/economic environment, which alone, can enable them to win the war.

Footnotes

(1) Robert H. Hemphill, Credit Manager of the Federal Reserve Bank of Atlanta Ga.,1935, in his forward to Irving Fisher's *"100% Money",* 1st published 1935. Cf. Irving Fisher, *100% Money*, Thai Sunset Publications, 2011, kindle edition.

(2) Reprinted from the "*English Review"* December, 1918, page 428. Cf. C. H. Douglas, 1974, *Economic Democracy*, Bloomfield Publishers, Surrey, England, Fifth (Authorised) Edition as an appendix pages 145 to153.