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SOCIAL CREDIT: CLEARLY EXPLAINED

101 QUESTIONS ANSWERED

By John Hargrave

(Continuing our reprint, by kind permission, of the original booklet)

38. HOW WILL THE PUBLIC SERVICES BE PAID FOR?

PUBLIC SERVICES WILL be a direct charge on the National Credit and the necessary credits will be issued via the National Credit Office. In effect, a Social Credit Government will say: "Can the community afford an efficient Forestry Service?" (or whatever it may be). If the land, equipment, and personnel for such a service are available, then, obviously, the community can "afford" it – because what is physically possible is, and must be, financially possible. All that remains to be settled is whether such a service is desirable and/or necessary. These are questions that ought to be settled by the individuals composing the community, after they have had the opportunity of hearing the arguments for and against.

39. HOW WILL THE BUDGET BE CALCULATED?

A TAXATION BUDGET will not be required, but a Real Wealth Budget showing national Production (plus Imports) and National Consumption (plus Exports) will be drawn up, presented to Parliament, and made known to the public. In reality, it will be a National Stocksheet, showing in terms of cost-values how much has been added to the nation's wealth, and how much subtracted, during a given period. The first will always exceed the second (except for a natural catastrophe), and so there will always be a surplus over the accounting period; and this, after the Government's consumption has been subtracted. So the old-style "problem" of "balancing the Budget" will be turned upside down. Instead of requiring the collection of taxes to recover a deficit, it will require the distribution of a National Dividend to dispose of a surplus.

Here is a specimen of a Real Credit Budget, drawn up by A. L. Gibson, Fellow of the Institute of Chartered Accountants, and a Social Credit advocate. Please bear in mind that the figures in this specimen are merely token figures to illustrate the method of drawing up such a budget.

At convenient intervals – quarterly, half-yearly, or yearly – a Social Credit Government will have prepared a REAL CREDIT BUDGET.

Dr.			Cr.
IMPOVERISHMENT		ENRICHMENT	
1. CONSUMPTION.	£ millions	1. PRODUCTION.	£ millions
(a) People's Goods sold retail (including National Dividend spent)	1,100	(a) People's Goods	1,100
(b) Wear and Tear (Depreciation of Business Equipment)	200	(b) Business Goods (i.e., Capital Goods, Intermediate Products, Semi-manufactures)	700
2. EXPORTS		2. IMPORTS	
(Real wealth lost by us)	200	(Real Wealth received by us)	200
TOTAL IMPOVERISHMENT	1,500		
Balance carried down	500		
	£2,000	TOTAL ENRICHMENT	£2,000
		Balance brought down	
		NET ENRICHMENT	£500

	Net Enrichment	500	1	
DISCOUNT				25%
	Total Enrichment	2000	4	

(These figures are merely illustrative)

40. HOW WILL THE PRICE ADJUSTMENT WORK?

THE RETAILER WILL be required by law to sell at the Just or Scientific Price – i.e., below cost (as now calculated) – and the difference will be reimbursed to him by the National Credit Office via the Local Credit Office (or bank). This will enable the retailer to pay full costs plus profit (i.e., service charge) to the wholesaler, and the wholesaler will be able to pay the producer, and the producer will be able to meet all costs of production.

This price discount rate will be regulated by the relationship of Production in general to Consumption in general. If production increases faster than consumption, as it usually does, there will be more goods for distribution. The price to the consumer will drop accordingly. Such a price-drop will enable the community as consumers to keep pace with the increased production, and will prevent any "slump" in production so long as any real want remains to be satisfied. If on the other hand, people buy goods faster than they are being made, the price will rise accordingly. This will slow down buying, and indicate the need for increased production.

The National Credit Office will periodically announce the price-discount level in accordance with the ascertained facts of the previous cycles of Production and Consumption. This will be an over-all discount rate covering the retail prices of all goods ready for sale. Thus, over one period, a discount rate of 1 per cent might be announced, and in the following period a discount rate of 3 per cent. This would show that production had risen and called for the drop in prices announced.

41. AS THERE IS A "GAP" TO FILL BETWEEN CONSUMER INCOMES AND RETAIL PRICES, HOW MUCH WILL BE FILLED BY THE NATIONAL DIVIDEND, AND HOW MUCH BY MEANS OF THE PRICE ADJUSTMENT?

THIS WILL DEPEND on how rapidly it will be possible to release human beings from the work-wage-system by introducing more and better automatic machinery and processes. This depends upon new and better inventions.

1. If people can only be very gradually released from the earning-a-living toil of machine-minding and other work that might be done quicker and better by automatic mechanisms, the "gap" will be filled mainly by means of the Price Adjustment.
2. If the release from machine-drudgery and other monotonous and soul destroying work can be speeded up, the "gap" will be filled mainly by issuing an increased National Dividend.

To begin with the "gap" could be filled gradually on a 50/50 basis: half by means of Dividend, and half by lowering retail prices. (It must never be overlooked that the National Dividend is designed to provide for those who are not required in the Productive System of the community as a whole.)

42. HOW MUCH WILL THE NATIONAL DIVIDEND BE TO START WITH AND HOW MUCH COULD IT BECOME?

IT WILL DEPEND upon the level of production at the time it is issued. It would not be less than 30s. a week per person, and probably much more. At the end of March, 1936, a group of 2,000 scientists, after 18 months of careful investigation, arrived at the conclusion that the *minimum* income based on production in Great Britain at that time should not be less than £317 per average family of four. That is, roughly, £75 per person. Since then, however, our power to produce goods and services has increased enormously.

In order to "run it in" smoothly, it might be expedient to issue the National Dividend "in small doses", increasing steadily month by month, and year by year, up to the limit of production, or until the actual physical limit of consumption has been reached.

As to how much it could become: it will depend entirely upon the actual production of Real Wealth – goods and services – plus imports. A victorious Britain should be in a position to monetise its Real Wealth in the form of a National Dividend for all citizens of no less than, say, £75 a year per person. And this sum should increase steadily, as peace-time production of consumer goods increases to £100 a year – £200 - £300 – and possibly – £500 – without difficulty.

43. WHO WILL BE ENTITLED TO DRAW THE NATIONAL DIVIDEND – AND WILL IT BE PAID TO CHILDREN?

EVERY INDIVIDUAL WHO has reached the school-leaving age, who is legally recognised as a British subject and who has lived in Britain for say two years or more, should he entitled to draw the National Dividend.

It will probably not be paid directly to children. Some arrangement might be made whereby it could be drawn, if required, by the parents or guardians, to be expended for the benefit of the child until the legal age is reached, which may be fixed at the school-leaving age. Thereafter, the child will be entitled to draw its own National Dividend. If not drawn by the parents or guardians, the child will be credited with the yearly amount in the Post Office or bank (i.e., Local Credit Office) and it can be drawn as a lump sum, or as required, by the child upon reaching the legal age. Thereafter, the child, now growing to manhood or womanhood, can draw the National Dividend as an adult.

To be born into the world with Real Wealth waiting for you (instead of being born in Debt) may seem strange to us, but in certain African tribes where goats are "money," the tribe as a whole sets aside a certain number of goats when a child is born, so that it shall have a share of the tribal wealth to start with. If ignorant (?) and poverty-stricken (?) savages (?) can provide for their children in this way, surely a highly cultured, civilised community, with all the advantages of modern science, should be able to do far more?

44. WON'T PEOPLE SAVE THEIR NATIONAL DIVIDEND, THUS NULLIFYING THE WHOLE SCHEME?

THEY WILL BE fools if they do. But, in fact, once Mrs. Smith has bought new shoes for the children, or a new hat for herself, Mrs. Brown will be likely to say: "I don't see why *I* shouldn't spend my National Dividend."

45. WILL INHERITED INCOMES CONTINUE PLUS THE NATIONAL DIVIDEND?

AT THE OUTSET, inherited incomes will continue plus the National Dividend, if people inheriting such incomes choose to draw the Dividend. But the whole practice of "Wills and Bequests" will tend to die out, along with all other forms of saving or hoarding. People save money and leave it in their wills to their descendants (a) from a fear of poverty-in-the-future, and (b) in order to show how "successful" they have been! This tendency to save-and-leave money will gradually disappear in a Social Credit State. It will look, and be, unnecessary and foolish, because everyone will have an "inherited income" – the National Dividend – based upon the Cultural Inheritance and Increment-of-Association of past and present generations. Instead of "amassing wealth" and then leaving it to someone else, people will tend to spend their money while they are alive, knowing that their descendants will be adequately provided for by the National Dividend.

46. WILL A MILLIONAIRE RECEIVE THE NATIONAL DIVIDEND?

YES IF HE chooses to draw it. Why not? There is plenty for all. But if not, he will in any case benefit by the price discount.

"Oh, so under Social Credit there will still be millionaires?" I hear someone say.

Under Social Credit *everyone* – including millionaires – will have a birthright income (the National Dividend) based on the productive capacity of the total community. Under Capitalism the millionaires were a tiny fraction of the total population, and under Social Credit this tiny millionaire class will tend to disappear as the National Dividend increases with production. Why? Because a man who is assured of a birthright income that can meet his needs from day to day, and who has no fear of the future, will not bother his head to amass a fortune. The "get rich quick" incentive will lose its force and as the power of money is reduced by the Social Credit technique, so the desire to accumulate it will fade away.

47. HOW WILL YOU FIX AND CONTROL PRICES?

PRICES WILL NOT be "fixed", they will be adjusted. This means that they will rise and fall with the production of goods and services.

It is *their ratio to costs* that will be fixed from time to time by agreement between the National Credit Office and producers.

Prices will be controlled by taking the general retail price-level at the time when Social Credit is introduced, and then announcing an all-over rise or fall periodically. (There would be no rise unless there was a natural catastrophe, or a war forced on the country.)

48. WILL NOT SOCIAL CREDIT LEAD TO INFLATION?

NO, HOW CAN IT? The Social Credit method of issuing any new consumer buying-power is always accompanied by a fall in prices.

1. An increase in the amount of the National Dividend will reflect an increase in the production of Real Wealth (goods and services).
2. An increase in production will change the Retail Price Level, and total retail prices will drop accordingly.

If prices are falling, how can they (at the same time) be rising? In other words: how can there be inflation if, instead of rising, prices are falling? Those who assert that "Social Credit would lead to inflation" must answer this question logically, or admit that their inflation fears are groundless. Never yet has there been a logical answer to this question from the critics of Social Credit. Always they conveniently ignore the working of the Price Adjustment – *which is the vital mechanism of Social Credit.*

By means of the two-fold synchromeshed mechanism of National Dividend and Price Adjustment, inflation is absolutely impossible.

49. HOW EXACTLY WILL THE NATIONAL DIVIDEND BE CANCELLED?

IT WILL BE cancelled when you pay it to a retailer in exchange for goods or services. After that it is cancelled right through the system. It is then no longer consumer buying-power. The process is as follows:-

1. The Retailer, to keep solvent, must use it to pay the Wholesaler, retaining only an agreed profit, i.e., *his service fee.*
2. The Wholesaler, to keep solvent must use it to pay the Producer, retaining only *his* agreed profit or service fee.
3. The Producer, to keep solvent, must use it to pay production costs, retaining only *his* agreed profit or service fee.

50. WON'T A SOCIAL CREDIT STATE SUFFER FROM LACK OF IMPORTS?

NO. ON CONDITION that it produces a Real Export Surplus, it will be able to get all necessary imports from abroad.

51. IS IT NOT A FACT THAT BRITAIN MUST EXPORT MANUFACTURED GOODS IN ORDER TO OBTAIN IMPORTS OF FOOD AND RAW MATERIALS?

IT WOULD BE a fact if Britain were unable to feed herself. After three years of World War II however, Britain was able to grow two-thirds of her total food supplies, and it would not be difficult to grow the entire needs of the nation. (See "Britain Can Feed

Herself," by G. P. Pollitt.)

As for raw materials: a great proportion of what we imported in the past was sent here in order that we might manufacture and then send it abroad again in return for food-imports. If we grow our own food – as we shall under Social Credit – much of the imported raw materials will not be needed.

In these circumstances agriculture would flourish, and we should enjoy our own home-grown farm produce. That is exactly what the health of the nation calls for.

52. HOW WILL A SOCIAL CREDIT BRITAIN PAY FOR NECESSARY IMPORTS?

BY EXPORTING ITS Real Surplus – i.e., goods not needed in the Home Market – via a National Import-Export Clearing House, and calculating the transaction in financial terms. The goods imported from abroad in return for this Real Export Surplus will be sold in Great Britain at the Scientific Price then prevailing.

The money-payments for imports will be made by (a) credits received from other countries for our Real Export Surplus, together with (b) special drafts on the National Credit should it be necessary to subsidise in this way.

As the Real Export Surplus will consist of goods not required by the Home Market, they can be sold abroad at any price whatever.

No policy of "dumping" would be necessary, however, because (a) non-Social-Credit countries must find export markets, while (b) a Social Credit World would have no difficulty in arranging the exchange of Real Surpluses both of raw materials and finished goods via an International Import-Export Clearing House.

53. IS NOT GOLD THE ONLY WORKABLE BASIS FOR A FINANCIAL STANDARD OF VALUE?

NO. IT IS ridiculous for a modern Power-Age community to measure Abundance by means of Gold-Scarcity. The attempt to do so created economic chaos in the 1930's, and almost every country was compelled to "come off gold" in order to recover from this bankers' idiocy.

What is wanted is not a "financial standard of value", but a common-sense Use-Value. Social Credit achieves this by its technique of balancing Total Spendable Incomes and Total Retail Prices – i.e., by making buying-power keep pace with production.

A Social Credit State will not use gold internally as a financial standard of value. It will, no doubt, be used by working gold-smiths, gem-setters, jewellers, and other craftsmen – and perhaps by dentists for dental fillings.

54. WHAT WILL HAPPEN TO FOREIGN TRADE WHEN STOCKS OF GOLD IN THE BANK OF ENGLAND HAVE BEEN PAID TO OTHER COUNTRIES?

WE SHALL DO without monetary gold altogether, and continue to trade with other countries on the basis of our Real Export Surplus.

55. SUPPOSE OTHER COUNTRIES REFUSE TO TRADE ON THAT BASIS, AND DEMAND GOLD?

THAT IS A form of financial blackmail that no Social Credit State will tolerate. Its method of resisting such financial pressure will be to cease to trade with any country attempting to apply such pressure. The result will be the loss to that country of "a valuable export market", while the Social Credit State will not suffer so heavily, since it is not dependent (financially) upon export markets. The corresponding loss of imports to the Social Credit State will only be serious in the case of "essential raw materials" – and the Hitler-war has shown that, apart from war-production, very few raw materials from abroad are absolutely essential to the maintenance of life and health in the British Isles. In other words: a stop all exports to Britain campaign could not succeed in either starving us out or bringing our productive system to a standstill.

The fact that all non-Social-Credit countries are compelled by their financial debt system to "export or die" will make them think twice and three times before attempting a no-goods-for-Britain policy. Any such attempt will compel the non-exporting country to (a) find some other export market; or (b) to destroy part of its goods-for export; or (c) distribute them to its own consumers – which can only be done by making its own Home Market effective by applying Social Credit principles.

Thus, the attempt to boycott or starve-out a Social Credit State depriving it of imports, is certain to drive the "boycotteer" towards Social Credit – simply because, under the debt-system of orthodox finance, it must "export or die". Foreign Manufacturers of goods for export will certainly not welcome any decree banning exports, unless their goods can be sold at an economic price in the Home Market – and this can only be done by financing the consumer in accordance with the Social Credit technique.

Social Credit established in any one country will, therefore, tend to drive all other countries towards Social Credit; and the threat of a ban on exports will automatically speed-up the process.

56. WHEN BRITAIN "GOES SOCIAL CREDIT" WHAT OTHER COUNTRIES WILL BE LIKELY TO FOLLOW HER EXAMPLE?

CANADA, NEW ZEALAND, AUSTRALIA, will be likely to follow our example very quickly.

With Great Britain, Canada, New Zealand and Australia operating Social Credit, the other countries of the British Empire, or Commonwealth of Nations, will certainly introduce the same debt-free technique.

57. HOW WILL A SOCIAL CREDIT BRITAIN DEAL WITH POST-WAR EUROPE?

IF BRITAIN is in a position to bring effective pressure to bear upon post-war Europe, two things must be insisted upon:

1. A Debt-free Peace – the cancellation of all war-debts.
2. The establishment of a Debt-free Europe operating a financially costless system of exchange in each country in accordance with the Social Credit technique of national accountancy. That is: *a Social Credit Europe.*

Frontier problems should not be dealt with until after each country has established its own Social Credit economy. Questions as to where one country ends and another begins are not vital questions in a Continental Community operating Social Credit. For a time frontiers could be "fluid"; and, indeed, under Social Credit the frontiers of post-war Europe would tend to become of no more importance than the county boundaries in Britain to-day.

Part III

What will social credit do?

58. HOW WILL SOCIAL CREDIT PUT A STOP TO WAR?

BY CUTTING OUT the chief cause of war – the international scramble for Export Markets.

The nations of the world are compelled, under the present Bankers' Debt-system, to compete with each other for Export Markets, because, under this system, they cannot make their Home Markets effective. This is the root of all modern war.

Social Credit makes the Home Market effective, and, by abolishing needless Poverty at home, avoids War abroad.

59. SURELY WARS ARE PRODUCED BY FAR MORE THAN MERELY ECONOMIC CAUSES?

WHY DO YOU use the word "merely"? Without Food, Warmth, Shelter, you cannot remain alive. A careful examination of the history of mankind shows that most wars, among the more primitive peoples as among the so-called "civilised", are caused by pressure of economic circumstances, no matter what the high-sounding "excuse" may be for going to war. There is reason to believe, for example, that the religious Crusades of the Middle Ages were due in large part to the bad state of the roads in England at that time. There can be no doubt whatever that the main cause of all modern war is the scramble for export markets. People are told that they are fighting for "freedom," and indeed they are fighting for freedom to live. There can be no freedom to live under the present financial debt-system without "freedom" (an outlet) for exports. When the Dictators said, "Expand or explode", " Export or die", they were merely repeating what the Democratic Governments proclaim when they say, "We cannot live without exports." This is the seething cauldron of war, and it is no use speaking of "merely economic" causes as though these were not the main causes. Almost all the impulses towards war are the outcome of these economic causes. To deal with the impulses arising, is to deal with the symptoms of the disease and not with the root-cause of it.

60. DOES SOCIAL CREDIT MAKE A CLEAN SWEEP OF CAPITALISM OR DOES IT PRESERVE SOME PART OF THE OLD SYSTEM AND SO KEEP CAPITALISM GOING?

CAPITALISM IS A system of production without an adequate mechanism of distribution.

Social Credit will establish an effective mechanism of distribution that will enable everyone to have a fair share of the goods and services that are, in fact, efficiently produced by the so-called "capitalist system".

It is no use trying to maintain that the so-called "capitalist system" does not produce goods and services efficiently. It does. You have only to look in the shops and showrooms to convince yourself about this. There you will see the actual finished products of "capitalist" manufacture. You will see chairs, tables, beds, carpets, curtains, clothing, knives, forks, spoons, cups, saucers, plates, motor-cars, radios, vacuum cleaners, refrigerators, electric irons, lamps, radiators, kettles – and a thousand and one other things. It is quite ridiculous to suggest that these things are not made efficiently by the so-called "capitalist system". Go into the shops, buy what you want and take it home, and you will find that these capitalist-produced articles are well constructed, useful, and sometimes even beautiful.

The truth is that the main problem of Production has been solved by "capitalism" – but your problem of being able to go into the shops and get what you want has *not* been solved. *It is a money problem – not a problem of production.*

Social Credit will solve this money problem. In doing so it abolishes the exploitation of the Many by the Few, which is the malignant disease of the banker-ridden "capitalist system", by giving everyone a birthright income – the National Dividend – that no one can suspend, stop, nor interfere with in any way. It does not keep capitalism going. It transforms Capitalism and turns it into Social Credit. Therefore it makes a clean sweep of Capitalism.

61. WHAT WILL HAPPEN TO THE BANK OF ENGLAND AND THE BANKS GENERALLY?

THE BANK OF ENGLAND will become the Credit Issue Department of the National Credit Office, and the banks will become, in effect, branches of the National Credit Office. They will take up their proper function in a modern Power-Age society as the National Book-keeping Organisation of the whole community. They will be required by law to operate the Social Credit technique under the central authority of the National Credit Office. For this service to the community they will, of course, be paid an agreed service fee.

The actual property-ownership of bank buildings, etc., is of no particular importance. Just as the scales and yard measure of every retail shop throughout the country must conform to the requirements of the Weights and Measures Act, and does in fact conform without being "nationalised", so the Bank of England and the Banks generally will carry out the requirements of a National Credit (Equation of Consumption to Production) Act.

A Parliamentary Bill setting forth the necessary clauses has already been drafted by the Social Credit Party of Great Britain.

62. WHAT WILL HAPPEN TO THE STOCK EXCHANGE AND INVESTMENTS?

NOTHING SO FAR as a Social Credit Government is concerned – *so long as no attempt is made to create a "scare" or to stampede the public into a "financial panic"*. People who own a part of a business must always be entitled to dispose of their share to someone else, but as price levels will be predictable over long periods, the Stock Exchange will lose its attraction for gamblers and will become once again a place where stocks can be exchanged.

As the main incentive to invest money will tend to "evaporate" by the introduction of Social Credit, and as the chief business of the Stock Exchange is the buying and selling of stocks and shares for customers, this institution is certain to become obsolete in the long run. It will not be needed. When everyone is assured of the National Dividend, the incentive to speculate, or gamble on the Stock Exchange will die out.

As regards foreign dealings, its place will be taken by the Import-Export Clearing House Department of the National Credit Office.

Regarding investments: the dividends drawn from them will, under Social Credit, buy more goods and services, but the inducement to invest – i.e., to secure an unearned income – will gradually die away as financial security becomes the rule and not the exception.

As any new enterprise that is wanted by the community will be financed by new credits from the National Credit Office, the field for ordinary investments will narrow. There will, however, remain spheres in which personal savings can be used to promote new ventures, and people will naturally be free to finance and own businesses created by themselves or their associates.

63. WHAT WILL HAPPEN TO SAVINGS – INCLUDING WAR SAVINGS?

THEY WILL BE quite safe. People only save because they fear that they will not have sufficient money at some later date. This fear of being left without money, or without enough money, will gradually disappear, because everyone will have the National Dividend as a birthright income. If, however, people wish to save, a Social Credit Government will not interfere. Such saving will be reflected by a rise in the National Dividend, thus making good the amount "saved". As people get used to the idea that they need have no financial fear of the future, "saving for a rainy day" will gradually die out, and all organisations designed to encourage and assist savings will become obsolete for lack of "savers".

If you ask, "What will happen to War Savings under Social Credit?" the question is too vague. If you mean: "What will happen to my personal savings – i.e., Savings Certificates, Post-war 'Nest-Eggs' etc.?" the answer is:

Social Credit Government will honour the obligations entered into by previous Governments who induced you to invest your money.

It is clear that you are asking the above question because you assume that your savings are quite safe under the present system, and that Social Credit might endanger them. In fact, however, the boot is on the other leg. Have a look, and you will find that previous Governments have not defined their obligations. For example, take your "nest-eggs." When are you going to be paid out? Nobody knows. *And anyhow, a rise in post-war prices could wipe out their buying-power.* Then Savings Certificates. It is true you are entitled to cash them out; but if more than a limited number started cashing out you would upset the bankers' system. They would get into a panic, and would say it was you who were in the panic; and they would stampede Parliament into passing "emergency" measures.

Now the National Credit Authority of a Social Credit State could never get into this technical tangle. It would have neither the motive nor the power to pass *measures of default* through the Legislature.

Be sure of one thing. You would get tired of cashing out long before the National Credit Authority got tired of paying out. Its resources are invulnerable because they are based on a correct calculation of Real Wealth as distinct from Financial Debt, and, by that token, your savings are inviolable.

And, better even than that, your economic position will be so secure that in future you won't even bother to save.

64. WHAT ABOUT TAXATION?

TAXATION IS THE raising of a revenue from members of a community by the imposition of compulsory contributions, usually in the form of money. The term *taxation* covers every conceivable exaction that a government can make, whether under the name of a tax, or under such names as rates, assessments, duties, imposts, excise, licences, fees, tolls, etc.

The purpose of taxation is to raise a revenue with which to pay for government and other public services, because, under the Bankers' Debt-system, the Government has no money – i.e., the community is deemed to have no power to create its own public credit for these purposes, and can only carry on by (a) taxing itself by taking away a proportion of its buying-power which cannot then be spent on consumer goods, or (b) borrowing its own credit-power from the bankers, which again means taxing itself in order to pay interest and or pay back the sum borrowed.

A Social Credit Government will not need revenue from taxation (i.e., buying-power taken from your pocket), nor will it have to borrow one farthing from the Bankers, because the money needed for all government and other public services will be public (debt-free) credit issued by the National Credit Office for these purposes, based upon the actual productive capacity of the whole community. *Therefore, under Social Credit, all forms of taxation will tend to fall into disuse, and finally there will be no taxation of any kind.*

Under the ramshackle Heath Robinson mechanism of the Bankers' Debt-system, taxation is a method – a very crude method – of regulating the amount of buying power in the hands of the community. Under Social Credit this will be automatically regulated by the operation of the Scientific Price Adjustment at the retail end.

65. WHAT WILL HAPPEN TO PARLIAMENT?

IT WILL AT long last become effective as the instrument implementing the Will of the People. The Will of the People will no longer be thwarted by "financial considerations" and "vested interests."

"And what" you may ask, "will become of the House of Lords?"

The House of Lords is the descendant of the *Magnum Concilium*, the Great Council of the King, and is of much greater antiquity than the House of Commons. "The need for two Chambers has been an axiom of political science based on the belief of the innate tendency of an assembly to become lazy, tyrannical, and corrupt, a tendency which can only be checked by the co-existence of another house of equal authority." (*Bryce.*) Since the Parliament Act of 1911, the "equal authority" does not exist.

A Social Credit regime will not interfere with the House of Lords, so long as the House of Lords does not interfere with the proper functioning of Social Credit.

66. WILL SOCIAL CREDIT PROVIDE FULL EMPLOYMENT?

IT PLACES NO obstacle in the way of full employment, if that is the will of the people. It does warn them, however, that such an objective means that men must replace The Machine, which in time means that the output of goods will dwindle towards zero.

Providing employment is not the objective of a sane social-economic system. A sane social-economic system must give economic security with as much individual freedom and leisure as possible. This, Social Credit does by means of the National Dividend and Price Adjustment. The object is not "full employment" – *but full enjoyment.* Not at all the same thing, in spite of what moralists tell us.

67. IF EVERYONE GETS A NATIONAL DIVIDEND WILL ANYONE DO ANY WORK?

IF THEY DON'T, there won't be any National Dividend.

The National Dividend is based upon the production of Real Wealth (goods and services), and will rise and fall with production.

No Production – no Dividend! That hard fact should be allowed to dawn on each individual. It is time people became "adult" and faced the hard facts of existence.

No work – no Production. No Production – no National Dividend. Just nothing. No Food, Warmth, Shelter, or so-called Luxuries – but *not* because of artificial poverty due to lack of money-tickets. Just nothing because no one had done any work. That would teach people the first lesson; either to Work by Hand, or Work the Machines. It is high time they came face to face with realities, instead of financial nonsense. People would then begin to work, simply and solely because they wanted to use the goods and services that human labour plus machine-energy can produce. And that is as it should be in a Sane Economic System.

68. SURELY EVERYONE OUGHT TO DO THEIR FAIR SHARE OF WORK?

AN ELECTRIC COAL-CUTTER needs about four men and a boy to attend to it. It displaces a large number of miners. What "fair share of work" are these displaced miners to do in order to fit in with your ethics of Share-the-Work? Are they to go round dusting the electric coal-cutter with feather dusters? – or pat it on the back and say, "Good Coal-cutter! we're helping you to do the work"? You really must face this problem squarely. If you want everyone to work, you must scrap the electric coal cutter – The Machine – and go back to hand labour. In which case you should put up a monument to Ned Ludd, the halfwit stocking-frame breaker of Leicestershire (1779), and set about organising a Machine-Smashing Campaign. This suggestion isn't as wide of the mark as you may think. Just listen to this item from *The Canadian Machinery and Manufacturing News*, March 17, 1932: -

> "Symbol of the return to 'hand labour' to take the place of mechanical agencies, a toy steam shovel was buried ceremoniously on February 22 near the Canadian National Railway tracks in Montreal. The Quebec Government's future policy, according to a news report of the event, will be to engage manual labourers and scrap machinery, wherever advisable, to provide more employment. A group of public officials and about 100 cheering workmen took part in the 'burial ceremony'."

(To be continued)

"Banking was conceived in iniquity and born in sin. Bankers own the earth; take it away from them but leave them with the power to create credit and, with the flick of a pen, they will create enough money to buy it all back again. Take this power away from them and all great fortunes like mine will disappear, and they ought to disappear, for then the world would be a happier and better world to live in. But if you want to be slaves to bankers and pay the cost of your own slavery, then let the bankers control money and control credit."

Lord Josiah Stamp, former director of the Bank of England (Speech - 1940)

book *review* by Erlend Clouston

Captive State: The Corporate Takeover of Britain by George Monbiot

Pan Macmillan £12.99 ISBN 0-333-90164-1
Paperback (Sept 2001) £7.99 ISBN 0-330-36943-1

You want the New World Order? We got it, or at least Mr Monbiot has. Can I present the ERT, or European Round Table of Industrialists? A daunting body composed of the chief executives of 46 of the biggest companies in Europe, it has apparently been pulling all the significant strings behind the European Union, from setting up the single market to the construction of the Channel Tunnel.

Lobbing a grenade into their beer breaks, though, will achieve nothing; they operate in the considerable shadow of something called the Transatlantic Business Dialogue. This features 100 chief executives from Europe and the USA, drawing up schemes for the opening up of international markets to all-comers. This is usually called something like 'trade harmonisation'. In fact, as Mr Monbiot points out, it is a device to enable huge (American and European) corporations to grow even huger at the expense of smaller and more vulnerable national companies. The North American Free Trade Agreement, which was going to generate jobs by the bucketful, in fact threw 200,000 Americans on the dole and, in the first four years of its implementation, wiped out 28,000 Mexican firms. In a nice phrase Mr Monbiot dubs big business the leviathan of the third millennium and calls for individual misbehaving creatures to be slain with legal instruments inspired by a 1720 Act aimed at enterprises 'tending to the common grievance, prejudice and inconvenience of His Majesty's Subjects.'

Well, who better to shake a cudgel at the giants than New Labour? Fat chance: if Mr Monbiot had one poisoned arrow and the choice of shooting it at Tony Blair or the chairman of, say, Ford, I would give good odds that the motor magnate would survive. The author parades extraordinary examples of the fawning attitude of the people's party to corporation culture. The Private Finance Initiative, which will result in the people of Skye handing over £88m to the Bank of America in return for a £25m bridge, will similarly hamstring NHS finances for the next half-century. While the big retailers themselves agree that every new superstore directly costs 276 jobs, delegates to the 1998 Labour conference wore badges sponsored by Somerfield.

The register of betrayal goes on and on. Is it conceivable, Monbiot wonders, that Lord Sainsbury, in his capacity as Minister for Science and Innovation, could close his mind to the fact that he had loaned a major biotechnology company £2m eight days before his appointment?

After 350 pages of depressing material like this, the reader might be tempted to overdose fatally on hormone-enriched US beef. The author encourages us not to lose heart, though. We have to put the demo back in democracy, he urges. It may not seem much against the corporate giga-budgets and conniving politicians, but street protests did eventually blow away state communism.

Erlend Clouston worked for the *Guardian* between 1979 and 1997, latterly as Scottish correspondent.

PYRAMID OF POWER

By Frances Hutchinson

The social credit texts advocated decentralisation of finance and industry as a means to end the growing centralisation of power over the processes of production, distribution of incomes and exchange. Concentration of power in the hands of a few, efficient in their own interests but quite unsuited to positions of power on behalf of the community, led to the parallel subjection of the masses to power-less wage slavery, unemployment or under-employment. "It seems certain that either a pyramidal organisation, having at its apex supreme power and at its base virtual subjection (however disguised by Garden Cities and Ministries of Health), will crystallise out of the centralising process which is evidenced in the inter-related realms of finance, industry and politics; or else a more complete decentralisation of initiative than this civilisation has ever known will be substituted for external authority" (Douglas 1919:57).

Far from resulting in greater welfare, the increased centralisation associated with the so-called 'economies of scale' has increased the powerlessness of worker, consumer and citizen alike. While a few complaints to a local bakery would be taken very seriously, a massive canvass is necessary to rattle the superstores. "As businesses grow, their customers' power becomes blunt and diffuse" (Monbiot 2000: 14). In similar vein, Susan George and Fabrizio Sabelli explored the operations of the supranational, non-democratic and extremely powerful institution, the World Bank, contrasting its operations with the powerlessness of the masses of the world's poor (George and Sabelli 1994). Across the world, the financial institutions of global capitalism impose 'economic therapy' on the economically powerless. Thus the IMF-World Bank sanction economic measures responsible for triggering famine and devastation in sub-Saharan Africa, ruining peasant economies and "impoverishing millions of people":

> "*With the complicity of the US government it [IMF-World Bank] has also opened the door for the appropriation of traditional seeds and landraces by US biotech corporations, which behind the scenes have been peddling the adoption of their own genetically modified seeds under the disguise of emergency aid and famine relief.*
> *Moreover, under WTO rules, the agri-biotech conglomerates can manipulate market forces to their advantage as well as exact royalties from farmers. The WTO provides legitimacy to the food giants to dismantle State programmes including emergency grain stocks, seed banks, extension services and agricultural credit, plunder peasant communities and trigger the outbreak of periodic famines*" (Chossudovsky 2000: 1).

Professor of Economics at the University of Ottawa, and author of *The Globalization of Poverty* (now in its second edition), Michel Chossudovsky has documented a wealth of examples of the power of corporate financial institutions to wreck local communities in the name of economic profitability.

Hence Douglas' 1919 observations in "The Pyramid of Power" retain their relevance. Individuals and their local communities have continued to become increasingly subservient to the "machine of industrialism". Power and policy are centralised in the brains of a few men (sic) "whose deliberations are not open to discussion; whose interests, largely financial, are in many respects opposed to the interests of the individuals they control and whose critics can be victimised" (Douglas 1919: 56).

The themes explored in the early decades of the twentieth century remain relevant into the twenty-first. Centralised hierarchies of power and control are not appropriate to the conduct of politics and industry in peacetime. They enable "a powerful minority in the community determined to maintain its position relative to the majority, to assure the world that there is no alternative between a pyramid of power based on passive acceptance of an imposed social, industrial and intellectual policy, and some form of famine and disaster" (Douglas 1919: 54). The "concentration of effort on the methods of industry has resulted in enormous advances in the application of machinery to work which previously had to be performed by hand". However, "the financial and economic system is so arranged that labour-saving machinery has only enabled the worker to do more work; that any reduction in hours is bought by increased strenuousness, and that the ever-increasing rate of production, paralleled by the rising price of the necessaries of life (clearly attributable to the control of production in the interests of the capitalist rather than the consumer), is a sieve by which are eliminated all ideas, scruples, and principles which would hamper the individual in the scramble for an increasingly precarious existence." (Douglas 1919: 56-7)

Douglas contrasted the alienation of workers with the autonomy of the medieval craftsman or farmer. In the interests of serving the economic system, people have been educated during the industrial era to believe that "so long as the orders of a superior were obeyed, no responsibility rested on the individual". Under a decentralised system, as in medieval production conditions, daily decisions as to the tasks to be undertaken, the appropriate tools to be used and the hours of work, were made by the worker who accepted full responsibility for the effects of each action on the lives of others and on the local environment (Douglas 1919: 54-7). However, unlike the Utopian and guild socialists, Douglas valued the 'progress in the industrial arts', anticipating great scope for worker/producer control of a decentralised industrial process using appropriate, worker/producer-friendly technology. Monbiot's plea for the people to rescue the state from its captivity echoes the call for economic democracy explored eight decades earlier in guild socialist/social credit texts. Not only do those texts raise questions, but they also provide some intriguing answers.

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George, Susan and Sabelli, Fabrizio (1994) *Faith and Credit: The World Bank's Secular Empire*. Penguin.

Monbiot, George (2000) *Captive State: The Corporate Takeover of Britain*. Macmillan.

"When exercising the powers and carrying out the tasks and duties conferred upon them by this Treaty and the Statutes of the ESCB, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB or of the national central banks in the performance of their tasks."

The Maastricht Treaty:
Monetary Policy - Article 107

It could hardly be more clear that what is proposed is the demise of all semblance of democratic control and consolidation of the dictatorship of non-elected bankers.
Ed.

MANCHESTER UNIVERSITY 150TH CELEBRATIONS – THE JOE STIGLITZ SHOW

By Kevin Donnelly

This was America at its best; bright, breezy, well-informed and full of bonhomie. This lecture by Professor Joseph Stiglitz was by far the most entertaining presentation of economics that I have ever heard. It could have been very dull indeed. The occasion was the 150th anniversary of the founding of the University of Manchester; something to celebrate, but perhaps rather demurely. This event turned out to be something very different.

Joseph Stiglitz has a fine reputation as an academic economist in his own right, but he is also World Bank Senior Vice-president, Development Economics and Chief Economist. As an economic adviser to former President Clinton, he is well known to politicians in many countries as well as his own United States. He chose an adventurous title for his lecture – Globalisation and its Discontents: how to fix what's not working. The Vice-chancellor set the scene by referring to the historic background to the university's origins; Manchester's rapid industrial and population growth; the events of 1848, the expatriate Engels and his work, the beginnings of Owens College. The Dean of Postgraduate Studies in Economics told his audience that his department was the largest of its kind in the United Kingdom. The audience of around 250 seemed mostly drawn from the Third World countries and Asia. They much enjoyed the humour of the gifted storyteller and principal speaker, Joseph Stiglitz, for the laughter was spontaneous and the final applause generous.

He began quietly enough, acknowledging the growing disquiet that led to the Seattle and Washington protests about globalisation, about the WTO, about IMF/World Bank policies. There was much sympathy for the protesters, despite the occasional descent into violence. Hopes had been raised and then disappointed. Globalisation had promised much, and he believed, still could deliver prosperity, but he acknowledged that so far, it had not done so.

Then came the observations of specific policy failure, the picture that many insiders can share of organisations where rhetoric and reality are far apart. He spoke movingly of the rebel leader in Ethiopia taking an Open University course in economics, gaining power, then cutting his own military budget in order to further welfare policies, while at the same time incurring IMF displeasure for failure to follow the IMF medicine of privatisation and cuts in public expenditure. At such points in his address, the lecturer seemed to be on the side of the angels and far removed from the bogey man image borne by the World Bank and the IMF, sister organisations assumed by many to be a single entity.

So it went on for an hour and a half, a bravura performance, capped by a hilarious account of IMF loans to Russia, in which his prediction that the money would be filched within months turned out to be wrong: it was gone in three weeks. The downside of that story was that under communism, dire poverty in Russia had been around 2%, but in the last few years it had risen to between 20 and 40% of the population.

The big success stories lie in Asia, where China and Korea have made remarkable progress. Elsewhere in Asia, progress has been less successful with Indonesia struggling to maintain public order. He was frank about the limitations of global financial policies, which he largely attributed to the structure of the World Bank/IMF and the limited training of finance officers in developing countries. These factors, along with a lack of democratic accountability and the near-absence of effective feedback created obstacles to progress. However the seriousness was soon mitigated by amusement about American claims during high level negotiations that the United States is really a developing country and entitled to special treatment.

Of the issue of unpayable Third World debt, seen by many as important and in part to be the responsibility of the Bretton Woods Institutions such as the World Bank and IMF, not much was said. Nor was it clear which countries, apart from China and Korea, can be said to have gained as a result of globalisation; nevertheless Prof. Stiglitz was certain that globalisation could be made to work, and that changes could be made to bring this about. His treatment of the first part of his lecture title, "Globalisation and its discontents", was humane, compassionate and well informed. The real difficulties lie with the second part; "how to fix what's not working". He devoted the last part of his talk to structural difficulties within the World Bank and IMF, which seem to lie in their undemocratic unaccountability, which can be traced to their origin at Bretton Woods in 1944. Here, it seems J.M. Keynes, leading the British delegation, lost out to that of the United States, or more particularly, the US Treasury.

Some of Prof. Stiglitz' listeners, like some readers, will have seen, behind the US Treasury, the influence of unelected finance corporations, who may well believe that what is working very well, does not need fixing. Over all, the event left behind a picture of slavery, and the rather sombre conclusion, that banks are better than tanks at keeping the peasantry in its place.

Editorial...

First, I would like to extend a warm 'thank you' to Alan Armstrong and his team for steering the Secretariat out of its late twentieth century doldrums and providing the basis for its re-launch into the twenty-first century. I'm delighted to continue working with the Secretariat. As far as I'm concerned, it all started with the 'law' of diminishing returns. As a student of economics I was expected to believe that you could take a field and a fixed amount of machinery, and keep adding workers in order to observe that the increase in output would at first rise and then fall at an increasing rate. "Poppycock!" I observed. Nobody goes about their daily business in so nonsensical a fashion. However, I was intrigued. What was it all about? Why did people study economics? I continued my studies, took my degree and even *taught* economics. A lifetime later, when my sons were students, came the wonderful discovery that others had asked the same questions before me, and come up with coherent and rational answers. Sadly, knowledge of the work of Douglas, alongside that of Thorstein Veblen, Karl Polanyi and other institutional economists has been denied to generations of students of economics throughout the twentieth century. In these pages I intend to continue my task of rectifying that omission.

This issue carries Kevin Donnelly's account of the Stiglitz lecture, demonstrating how slick the globalization process has become. Of course, we all want the same thing, don't we? But hot-headed protest is not the way forward. Don't bother your heads about world trade and economic democracy. Leave it to us, chaps. Trust us.

We continue with John Hargrave's "101 Questions Answered", as they provide an excellent basis for discussion of the social credit philosophy. However, some passages on the mechanics of money and banking under social credit are peculiar to the author and his particular group of advisors, and were challenged by Douglas and others. We print them here in full to provide a basis for future debate, rather than as a blueprint for reform. This is an issue to which we will be returning in due course. With these reservations, we consider that the Hargrave document provides an excellent introduction to the holistic political philosophy of social credit. Silenced by 'mainstream' teaching throughout the twentieth century, the extensive writings of Douglas and others on social credit provide a rich resource for contemporary concerns with social equity and ecological sustainability. Douglas social credit extends well beyond the single issue of monetary reform.

In the meantime, I can heartily recommend the April and May Issues of *New Internationalist* to TSC readers. on "Megalomedia: the Voice of Globalization" and "World Trade Organisation: Shrink it or Sink It" respectively. At one time, NI was a highly 'respectable' publication, read by the Stiglitzs of this world. Now, according to Mike Moore, DG of WTO, it has turned "a bit ... strange". It is, according to one of its editors, "a radical magazine with a large subscription base, run by a co-operative, not dependent on advertisers, and without vested interests". In its reporting on Global Media and the World Trade Organisation (the two latest issues) its standards of journalism are excellent.

Frances Hutchinson

If you wish to comment on an article in this, or the previous issues, or discuss submission of an essay for a future issue of *The Social Crediter*, please contact the Editor directly:

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The Social Crediter is the official journal of the Social Credit Secretariat. It promulgates the analysis and prescription for radical change to the current financial/economic system developed by C. H. Douglas in the 1920s. At the centre of our concern is the need for radical reform of the international fractional reserve, debt-money system. Only then might other major socio-economic changes, including the introduction of a National Dividend, follow and help to ensure that all of the world 's people have the potential to enjoy economic sufficiency, while simultaneously living a full and satisfying life in harmony with each other and the natural environment. It is our conviction that whatever is **physically possible and socially desirable** CAN be made financial possible. This should be everyone's concern and radical reform is urgent, so that this potential might be realised.

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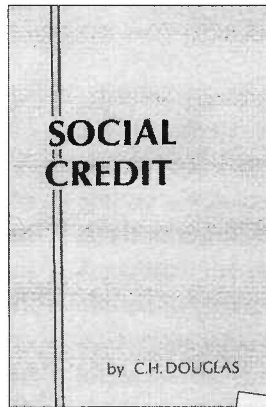
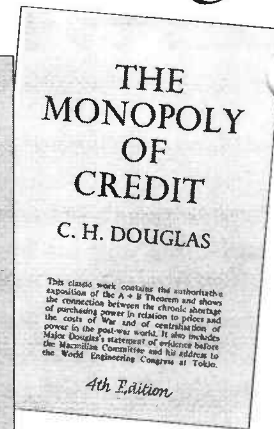
Recommended Reading

Books by Major C.H. Douglas

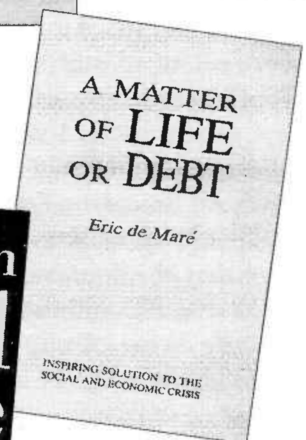
Social Credit
The Monopoly of Credit
Economic Democracy
Warning Democracy
Credit Power and Democracy
The Control and Distribution of Production



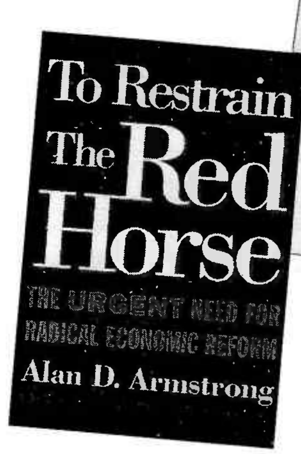


Frances Hutchinson and Brian Burkitt
The Political Economy of Social Credit and Guild Socialism

Eric de Maré
A Matter of Life or Debt



Alan D. Armstrong
*To Restrain the Red Horse** *The Urgent Need for Radical Economic Reform* (1996)
£11.95 including P&P



Books and booklets on the subject of Social Credit are available from Bloomfield Books, 26 Meadow Lane, Sudbury, Suffolk, England CO10 6TD.
* Also available from Towerhouse Publishing, 32 Kilbride Avenue, Dunoon, Argyll, Scotland PA23 7LH.

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