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In this issue:

Editorial

After seven years of research into the reasons for the elimination of Social Credit economics from the academic curriculum, *Understanding Finance in Society: The Silencing of Social Credit* is due to be published in May. The book covers the history of the Social Credit movement of the inter-war years.

In the immediate aftermath of the First World War – the War to End All Wars – the question permeating society in the U.K. was – how could such events happen? And furthermore, how can we ensure that world war never happens again? In the columns of *The New Age*, the leading left-wing literary weekly of the time, Clifford Hugh Douglas and the editor, Alfred Richard Orage, focused attention on the role of finance in facilitating the enhanced production of armaments necessary to conduct the devastation of the war. In *Economic Democracy* (1919), *Credit-Power and Democracy* (1920), *The Control and Distribution of Production* (1922) and *Social Credit* (1924), Douglas spelled out with great precision the role of debt in the determination of social and economic policies, predicting that unless the community as a whole took conscious control of its credit, trade depression and international economic competition would lead inexorably to another world war. These writings gave rise to a worldwide movement, with a vast literature, run entirely outside the salaried structures of academia, party politics and the mainstream press.

Social Credit is an approach to understanding the crucial role of finance in the formation of policy decisions, not only in the economic sector, but also in the spheres of politics and 'culture', i.e., the arts, sciences, education and all types of knowledge development. The uncomfortable fact is that the present financial system depends upon the willing acquiescence of individuals in the wages/salaries system of income distribution. We feed our children into the system at the age of rising five. After a childhood and adolescence chained in the classroom, the individual is spewed into the wages/salary system for life, taking their place as servants of a vast bureaucratic system which remains beyond their comprehension or control. Whether the individual is a high-ranking academic or an office cleaner, a top surgeon or an ambulance driver, a creator of sophisticated software or a worker in a computer-parts assembly plant, matters not a jot. True freedom of thought and action is circumscribed whenever income is dependent upon satisfying the requirements of an employing or commissioning body.

Banker's failure to fulfill their role

27th January, 2010

Letter to the Guardian:

Dear Sir,

I was astonished to read Lord Myners's assertion that banks use our deposits to lend out to businesses and homebuyers. (Comment, 25 January). This is simply not the case, and has not been the case since 1694 when the British banking system was established, and intangible bank money began the process of creating deposits in the banking system.

We have just lived through a period of asset price inflation fuelled by credit-creation that bore little relation whatsoever either to a) our deposits in banks, or b) to the underlying value of assets.

Far from the bank starting with a deposit or reserves as a basis for lending, the bank starts with an application for a loan, the asset (e.g. property) against which to guarantee or secure repayment, and the promise to repay with interest.

A bank clerk then enters the number into a ledger/computer, and charges it to the account of the borrower. This is credit and has been known since 1694 as bank money – intangible and essentially free.

The bank does not need savings, deposits or reserves to create credit. If this were the case there would only be as much credit as there are deposits in the bank. These limits would have constrained an asset price bubble, as assets would not have been artificially inflated by under regulated credit creation. Once the loan is agreed, the bank then applies to the Bank of England for the cash element, which is a very small proportion in these days of debit/credit cards.

The fact that small businesses cannot obtain loans from banks, except at high rates of interest, has nothing to do with our deposits, but with the failure of bankers to fulfill their role and meet the needs of society and the economy. Which is why Lord Turner was right to dismiss them as "useless". That failure may not have occurred if the Treasury had a better understanding of monetary theory and practice.

Ann Pettifor

Fellow, New Economics Foundation

Editorial Continued …

In 1962, Aldous Huxley, reflecting on his predictions made thirty years previously in *Brave New World*, concluded that non-violent methods of control were most likely to be evolved, whereby people could willingly consent to a state of servitude, and become amenable to "mass production methods on the social level". It is not unreasonable to suggest that in the present state of affairs people will acquiesce to doing almost anything if there is a money income attached to it. Where the task offers prestige and job satisfaction, individuals will most strongly deny their servitude, obeying orders which go against their conscience or common sense in the belief that they are thereby acting for the common good. Hence the prevailing view that incomes are primarily derived from 'work', *i.e.*, waged or salaried employment, has made it increasingly difficult for people to relate to Social Credit economic philosophy. As Dresden James (1931-2008) observed:

"A truth's initial commotion is directly proportional to how deeply the lie was believed. It wasn't the world being round that agitated people, but that the world wasn't flat. When a well-packaged web of lies has been sold gradually to the masses over generations, the truth will seem utterly preposterous and its speaker a raving lunatic."

If one wishes to move beyond 'flat earth' economics, it becomes necessary to make a serious study of alternatives. Over the past seven years, whilst I have been working on *Understanding Finance in Society*, our tiny team of volunteers has struggled to offer some access to the rich legacy of literature from the Social Credit movement through the www.Douglassocialcredit.com website, and through *The Social Crediter*, the back numbers of which are on the website. Social Credit may not be the whole answer, or the only alternative to business-as-usual debt financing of business, industry and farming. Nevertheless, it provides a powerful starting point for engaging in debate on alternatives to the *status quo*. If work does not create incomes – where does money come from?

Women talking macro-economics

Ann Pettifor - February 3, 2010

My conversation earlier this week with Elena Sisti – of Italy's Altreconomia on macro-economics, reform of the finance sector, money, and yes, how we women have left the all-important matter of finance to the boys. Big mistake. It's time to get in there, and exercise influence. Too much is at stake.

Elena: In the build up to 2000 you were amongst the leaders of the Jubilee 2000 campaign that helped to cancel the debt to developed countries. Do you think that the fact you were a woman helped you bring a different perspective to the issue?

Ann: I am not sure that it would be right to say that it affected my perspective. But I do believe that as a woman it was easier to bring people together to develop a fresh, more radical perspective on the issue. I was very struck by the fact that the most effective Jubilee 2000 campaign leaders were women – Laura Vargas in Peru, Yoko Kitazawa in Japan, Wangari Mathaai in Kenya, and Paola Biocca here in Italy. They were organisationally some of the best-developed campaigns – more than 2 million petition signatures collected in the mountains and desert regions of Peru, for example, an extraordinary feat.

I think it is easier for women to bring people together, because while we are strong, stubborn and often difficult (I speak for myself in particular) – we are also less ambitious for personal gain, while being very ambitious for the achievements of our group. This may be a very unfair generalisation, as I know there are plenty of selfless men out there – but very few selfless men get to positions of leadership. Women in positions of leadership – in business, in politics or NGOs – have had experience of results achieved as a result of co-operating with others, and seeking out the support of others. With Jubilee 2000 I found, and there were exceptions of course, that one always had to muscle one's way past a man's ego, before one could get to the campaign…..if that makes sense.

Having said that, I will undermine all I have said by this: one of the best male campaigners was an Italian – Luca de Fraia, who helped lead *Campagna Sdebitarsi,* after the tragic death of Jubilee 2000's founder in Italy: Paola Biocca, who died in Kosovo on 12 November 1999 while coordinating the emergency humanitarian missions for the United Nations World Food Programme.

Elena: You have always been convinced that the complication of finance could be explained to everyone and masses could be mobilised even for finance issues. Why have you always considered the finance sector as crucial for people?

Ann: Finance is not complicated really – especially not for women, most of whom have to manage budgets, small budgets. And managing a little bit of money, making it go far, requires far more skill and intelligence than managing huge sums of money.

The fact is we all need money to be economically active. The poor in particular need money. We are intellectually mesmerised by this thing we call money, partly as a result of our dependence on it, even though many have difficulty understanding it. The ones that have the most difficulty are economists. Very few economists understand or study the nature of money – in particular bank money. Having said that, some of the greatest economists and political leaders from President Abraham Lincoln, Adam Smith, John Maynard Keynes, President Roosevelt to JK Galbraith – understood the nature of money – and acted accordingly.

One of the reasons we have difficulty understanding in particular the nature of bank money, is that for most of us our first experience of money is when we leave school; we are penniless, work for a week or a month, and then find money deposited in our bank. We think that the money arrives as a result of our economic activity.

In reality exactly the opposite is the case: money stimulates economic activity. Credit creates economic activitiy. Credit creates deposits. Expenditure creates income. The money deposited in the young worker's bank account existed prior to the economic activity of that young school-leaver, and made it possible for her to get paid work.

To put it slightly differently: it existed before that young person engaged in economic activity – it did not come into existence as a result of her activity.

People find it hard to get their heads around this concept, but we must…or else we will fail to understand the financial system.

Before western societies invented bank money and institutionalised banking systems – there were often shortages of money in the economy as a whole. This was because money was linked to a commodity – like gold – which was limited, and indeed was used as an anchor, precisely to limit the availability of money. Then some geniuses (including one John Law) discovered that it was not necessary to have the same amount of 'money' or 'credit' in circulation, as there was gold in the bowels of the earth. One just needed to create enough money equal to the amount of economic activity in the economy.

If one created less money than the amount of economic activity, the result was depression and deflation. If one created more money than the amount of possible economic activity – the result was inflation… So central bank governors were given the task of carefully measuring economic activity and then supplying enough money to enable that activity to take place.

Money is not the thing for which we exchange goods and services. It's the thing by which we exchange goods and services. And bank money is not tangible. You cannot touch it or smell it. You cannot even see it – except perhaps as a statement on your monthly bank account. What you do touch and smell is cash – and these days only a tiny proportion of the money we use is issued as cash. The rest takes the form of cheques (declining in number now, and soon to be abolished in some stores in Britain); bank transfers; credit card and debit card payments. (Not so in many parts of Africa where they do not trust their banking system, where they may not have developed a system of bank money with credit and debit cards, and so, in some countries, carry cash around in large bags!)

Now intangible bank money is one of the most wonderful things humanity has ever invented. It enables us to engage in economic activity. That's all. It's effectively incidental to that activity – because without economic activity that money would be useless.

But it is potentially also one of the most dangerous of our inventions – which is why credit creation must be so carefully regulated.

Bank money comes into existence in the form of credit, issued by the central bank, and then distributed by the commercial banking system. Credit creates deposits, and in England it has done so since 1694 with the foundation of the Bank of England.

This is the very opposite of what most people think – that only once you have deposits can you obtain credit. No, credit creates deposits in the bank.

So when you are a youngster, fresh out of school, your employer has invariably obtained credit from the bank to finance her investment, and she uses part of that to pay you, and you promptly pay that into the bank as a deposit – using some of it as cash.

That credit has stimulated or generated the first month of your productive economic activity. The deposits that the young person places in her bank account are then exchanged and transferred as 'bank money' invisible and intangible – but very useful when she is shopping on Ebay, using her credit card, or paying by cheque.

Until recently, most people could not bring themselves to believe in something intangible and invisible called bank money. But now we have a new phenomenon to discuss over our dinner tables: quantitative easing, or 'Queasing' as we joke in English.

Last year on 13th March, 2009 the governor of the US Federal Reserve, Ben Bernanke gave an interview to CBS TV, in which he was asked: "where did you find $160 billion to bail out the insurance company AIG? Was that taxpayers' money that the FED was spending?" "That was not tax money," replied the Governor. He elaborated: "the banks have accounts with the FED, much the same way that you have an account with a commercial bank. So to lend to a bank we simply use the computer to mark up the size of the account that they have with the FED". The FED did what a commercial bank does when it provides you with a loan: they entered a number into a computer and charged it to AIG's account.

The fact is that the Federal Reserve did not even have to print 160 billion greenbacks – they simply entered a number into a computer.

And that is what the bank does when you apply for a mortgage, to buy a house for example. All the bank needs is a) your application for a loan b) the collateral of your property and c) your promise to repay at a certain rate of interest. Hey presto! The money is transferred – digitally – to your bank account and appears there as a deposit. You may spend 10% of that money on small purchases with cash (euros), but most of that will be paid by cheque or bank transfer.

Now the point of explaining this is as follows: the creation of credit is in fact an almost effortless activity. Different for example, from growing tomatoes. To grow tomatoes one has to depend on the weather, on the rain to fall; on the land and its fertility, and on labour, yours or that of another. All of these factors can disappoint or fail a farmer.

To create credit there is no need for our banking system to depend on the weather, on land, or even on labour. "*Why then*", as John Maynard Keynes once argued in his 'Treatise on Money':

...if banks can create credit, should they refuse any reasonable request for it? And why should they charge a fee for what costs them little or nothing?
Keynes, 1930.

The 'fee' that Keynes is referring to here, is the rate of interest – the 'price' of a loan. And the point he is making is correct: the price of money should remain low – to enable people like entrepreneurs to borrow to invest; to enable governments to borrow to invest for example in de-carbonising the economy – something that requires major investment.

However, he also argued that while the rate of interest should be low – the creation of credit should be carefully regulated. In other words, bank money should be regulated so that it is lent to stimulate productive economic activity rather than speculative, inflationary activity.

We have just lived through three decades of financial de-regulation where economic policy makers have encouraged reckless, privatised credit creation. This in turn led to crazy speculation and gambling – in derivatives, collateralised debt obligations, and a range of other parcelled up, sliced-and-diced securities. At the same time central bank governors and finance ministers succeeded very successfully in repressing the inflation of wages and prices – while allowing the prices of assets (property, race-horses, works of art, stocks and shares etc.) to rocket upward in an inflationary bubble.

However none of the economic gurus of the time – from US Federal Reserve Alan Greenspan, to European central bankers, to orthodox economists – while ferociously opposed to the inflation of prices and wages, ever complained about the inflation of assets.

Why? It is my belief that this is because it is the rich, on the whole, that own assets. The rest of us live by our wages, or by the prices we can obtain as farmers or small business women… The rich live on rent from their assets – be it property, stocks and shares or any number of assets. And orthodox economists allowed bankers and the rich to inflate the value of their assets with easy credit. This enabled the rich to enrich themselves over the period of financial liberalisation to an extent probably unknown in our history.
But invariably that asset-price inflation bubble had to burst. Because if more credit is created than there is economic activity – then the result is inflation. And if inflation grows into a vast asset price bubble as it did in the 90s and early noughties, then it will invariably burst – leaving the detritus of excessive debt to spread the destructive forces of deflation over both assets and other economic activity. One has only to look at Japan's debt-deflationary spiral of the last two decades. Twenty years after Japan's asset bubble burst, property prices are still falling! Can you imagine what that would mean to us, if in 20 years time, the property that we thought would finance our old age – just keeps falling in value?

So today we are trying to clear up a mess, a mess made by the greedy and excessive explosion of unregulated credit-creation, which while the party was on, excessively enriched a few. This mess was created by the ideology of "easy" but expensive credit (i.e. credit lent at high rates of interest). (Many argue that low interest rates were the cause of the crisis. Not so. Interest rates were lowered after the bursting of the first of the asset bubbles – the dot.com bubble after 2000. In reaction to that first manifestation of the crisis – central banks lowered base rates. But that did not mean that, for example, sub-prime borrowers, or companies wanting to undertake risky investments paid less…they paid usurious rates, because of course they were risky, but to the bankers, very profitable borrowers!)

The mess that we are living through is a debt-induced deflationary spiral. As borrowers de-leverage their debt and save more, as they are bankrupted by high, real rates of interest, so they reduce their economic activity.

This is so if they are businesswomen, or consumers.

As they reduce economic activity, so more companies go bust (especially if they have heavy debts), so more people have to be made unemployed. As more people lose their jobs and cut their economic activity – so prices fall more, and more jobs are lost. It is a wicked and vicious spiral. The perpetrators of this crisis – orthodox economists/central bank governors/regulators, politicians, reckless and irresponsible bankers and financiers – should be imprisoned and punished; but not a single one has even been indicted!

The real worry is this: in a deflationary environment the cost of debt (including interest rates) rises. While the price of e.g. tomatoes can fall below the cost of growing tomatoes – the 'price' of money – interest rates – can never fall below zero. So while prices and wages might turn negative (i.e. people lose their incomes) the price of money cannot turn negative…

It's a wicked old world. Which is why we women should make a strong effort to understand finance and economics – monetary policy as well as fiscal (taxation) policy – and not let the boys in pin stripe suits run the economy. They have amply demonstrated their incompetence.

There I go again! Another broad generalisation! And apologies for the very long answer…

Elena: The world collapsed exactly as you predicted in *The Real World Economic Outlook.** Why do you think it happened?

Ann: It happened because the United States, under President Nixon, had unilaterally dismantled the Bretton Woods System in 1971. Under Bretton Woods governments had to maintain some balance in the national accounts. It was not possible to build up a massive trade or capital account deficit, or surplus. There were constraints in the Bretton Woods System, which obliged governments to periodically re-balance their economies. It was a form of periodic structural adjustment.

After the Vietnam War, the US found that it was about to exhaust its gold reserves in the vaults of Fort Knox. Advisers approached Nixon, and warned him of this. President De Gaulle, for example, insisted on being paid in gold, and would not accept paper or bank money. President Nixon in 1971 effectively shrugged his shoulders and told De Gaulle to 'eat cake' – much as Queen Marie Antoinette suggested to the poor of Paris. If De Gaulle would not accept printed greenbacks, suggested President Nixon – then tough.
That was when the US defaulted on its obligations to repay its debts in gold – at that time (1971) the biggest default in history, although it is never described as such in the history books. It makes the Argentine default of 2001 appear a minor event.

After that the US instituted (informally and without proper consultation) a new international currency standard. Instead of the gold standard the world adopted the US debt standard, or the Treasury Bill standard. Instead of holding their trade surplus in the form of gold, central banks now held that surplus in the form of US Treasury Bills – IOUs signed by the governor of the US Federal Reserve, and lent to the US at very low rates of interest.

Today China has, reportedly (there is a great deal of secrecy surrounding China's reserves) $2-3 trillion of reserves, held as loans to the USA – at low rates of interest.

This contrasts with the predicament of poor countries, who unlike the US, cannot borrow money in their own currency – and when they do borrow, borrow at much higher rates of interest.

Anyway, the post Bretton Woods System allowed the United States to behave as if she owned a credit card with no repayment date on it, and with no limit to her expenditures. Couple that with the de-regulation of credit at a domestic level – and the US was set for a prolonged and wonderful shopping spree.

This credit, which financed US expenditures ended up as income (or deposits) for China and the rest of the world. It was good while it lasted – but invariably the bubble burst. Sadly, China is now often blamed for holding a surplus – but under the post Bretton Woods international financial architecture, and under a system in which Americans became reluctant to make and grow their own goods and services, and instead depended on the cheap and hard labour of poor Chinese people for the provision of these goods and services, the government of China had little choice but to hold excessive American expenditures as a surplus.

After working within Jubilee 2000 to cancel about $100 billion of the debts of more than 40 of the poorest countries, I took time out at the New Economics Foundation to try and understand why poor countries had built up such large debts, and why the global economy had become so unbalanced. I poured my newfound understanding into the book I edited: *The Real World Economic Outlook.** It soon became clear to me that the crisis taking place on the periphery of the global economy, was a limited one. The real crisis was still to come – at the centre – the Anglo-American economies. We worried about the debts of the poor countries – but they were a drop in the ocean compared to the debts building up in economies that had adopted the neo-liberal and Anglo-American economic model.

Elena: Are women underrepresented in the finance sector in the world?

Ann: Definitely. For too long, we have left these important matters to the boys. Big mistake. We have to get in there, and exercise influence. Too much is at stake.

Elena: Women still face discrimination in the financial sector?
Ann: I don't work in the banking sector, so cannot speak authoritatively, but every so often here in London the popular press explodes with a

story of a rich woman banker suing her bosses for discrimination…and it never comes as a surprise to me.

Elena: Why do you think that microfinance - mainly concentrated on women – has been a huge success from the start?

Ann: I worry about the microfinance movement. On the one hand, it has done great good, because intelligently, it has targeted women borrowers. And bankers have found something that would not have surprised you or me: namely that women are skilful at managing money and budgets, and, on the whole, rigorous about maintaining repayments.

The movement has been good in that respect: it has bypassed men, on the whole, and put funds directly into the hands of women, many of whom live in communities where they would have been stripped of their earnings or assets by male members of the family. So in that respect the movement has been successful.

But on my travels I have come across micro-finance institutions (in Orissa, India, but also in Pakistan) lending to women at very high, real rates of interest. Usurious rates of interest. To be honest, I am not an expert on microfinance, but it would astonish me if there were not default rates on these high interest rates…and if they did not in some way enslave women borrowers to their lenders. It would only take one failed harvest, or one extreme weather event for a woman to lose her crop, and her ability to repay, and then no doubt the lender would compound interest on the defaulted loan and bankrupt the borrower. As I explained earlier, credit creation is an effortless activity, by and large. For that reason it should be carefully regulated. In English we use the phrase 'tight' lending – i.e. lending only after careful scrutiny that the borrower will have the income stream to repay. But while lending should be 'tight' – it should also always be 'cheap' – i.e. at low rates of interest – to be sustainable – i.e. repayable without great sacrifice.

Debt has an environmental impact too. If compound interest is allowed to 'compound' – then borrowers have to strip the land (the earth) of its assets to repay. The woman farmer has to double the productivity of her land – presumably with fertilisers and other chemicals. Or else she has to strip the forest of more trees; or the sea of more fish – to repay her ever-rising debts. Simultaneously, labour has to be exploited. People have to work twice as hard, and twice as long, perhaps, to repay rising debts. For that reason, debt should not be allowed to grow exponentially. If it does, it has environmental and human costs – as we have known since pre-biblical times. It is why all faiths have strong laws about debt. Islam expressly forbids interest, and in Christianity we abhor debt slavery and ask our God to forgive our debts, as we forgive the debts of others. We celebrate the Jubilee – a periodic (every 7 x 7 years in the 49th year) correction to imbalances that build up in the form of debt – by cancelling debts in the Jubilee (50th) year. Just as every 7 days we honour the Sabbath, by resting the land, and by refraining from labour. These periodic corrections to imbalances are fundamental to western Christian civilisation – 2,000 years of a form of regulation that was banished overnight e.g. when in Anglo-American economies the notion of 24/7 was introduced: 24 hour working or shopping for 7 days a week.

Elena: Do you think it will be possible for macrofinance to feminise the way it operates?

Ann: No that will not be possible. Women will have to feminise macrofinance – by taking economics courses; by challenging economic orthodoxy; by taking positions in banking and finance. Above all, by understanding the nature of credit and bank money. The boys have hidden these secrets from us all for too long.

Elena: Which ones do you consider to be the main advantages of feminisation of finance?

Ann: I am getting into deep waters here – and by answering your question will fall once again into generalisations – but for me I hope it will be that women will bring a sense of responsibility to the finance sector. The realisation that self-interested greed does not result in care for others, or in responsibility for others. It turns us into alienated monsters – which is why we need to assert or re-assert old values:

That love and companionship and altruism matter more than money.

That community is more important than individualism and acquisitiveness – the ability to consume and acquire more and more things.

That we live within a world of finite resources – we live within a world of limits. We must humbly accept those limits – not act like supermen busting out of the limits!

That when we find ourselves out of tune with nature, disrespecting nature and her constraints – we go a little mad. Crazy.

That sanity means accepting constraints with humility, and remembering that the economy is just a subsidiary of the natural system – not the other way around!

Elena: Everyone is blaming the finance sector for what happened. Do you agree?

Ann: Yes, and no. The bankers lobbied politicians and pressured them to de-regulate credit creation – and to transfer the power to create and regulate credit, and to set rates of interest, from the state to the private, invisible, hand of the market.

But ultimately it was politicians that transformed our economy. It is they who succumbed to the lobbying of the bankers – they who weakened and de-regulated in face of that pressure. Many politicians of course profited from this lobbying. There was a great deal of corruption – let's not beat about the bush.

So it is they, the politicians, who must take the full blame. The bankers only did what most would do if given the chance to make money effortlessly. After all that is what we all do when we go and buy lottery tickets – we believe that we will make money effortlessly. In that sense we are no different from those bankers. Which is why we need constraints and restraints – regulation, just as we need the regulation of traffic to prevent ourselves killing others, as well as ourselves, on the road.

Between 1945 and 1970 we lived through what economists commonly define as the 'golden age' – an age in which the financial regulation recommended by Keynes was the norm. It was not as he would have wanted – but it was a lot more stable than the chaos pre – 1929, and the destruction that prevailed prior to his influence over both the US and UK economies from 1933 onwards.

And then in the 1970s the politicians gradually de-regulated. Not all, of course. It is my understanding that Italians do not have the same levels of debt as we do in the Anglo-American economies – and for that the Italian state and Italian politicians must be congratulated – if I am right about that. The same is true in France where the credit card is not as ubiquitous as it is here in the UK, or as it was in Iceland and Ireland.

Elena: What are the reforms that you would introduce for the international finance sector?

Ann: Now, I will hopefully be brief: capital mobility should be constrained. The Finance sector should be made accountable to democratic institutions – i.e. to the governments where they are based. Those governments should have the power to regulate flows of capital across borders – an essential power if central banks are for example, to be able to exercise control over interest rates – rates for short-term loans, long-term loans, safe loans and risky loans. Right now central banks only have control over the 'bank rate' the base rate, the rest are controlled by private sector bankers, and in particular the LIBOR [London Interbank Offered Rate] rate is fixed by a secretive and quite unaccountable group of London-based bankers – the British Bankers Association.

The rate of interest is too important to be left in the hands of unaccountable individuals, keen only to turn a quick profit. The rate of interest is a 'public good' – and as such should be managed in the interests of society as a whole – industry, labour – and not just the finance sector.

By constraining capital mobility (and capital controls are not the same as exchange controls, which affect the currency individuals can take on holiday. Capital controls are taxes on the movement of capital across national borders) – by constraining capital mobility, we will restore to governments the power to regulate credit creation, and fix interest rates. In other words, the power to determine major aspects of economic policy.

And don't let anyone tell you that in this digital age it is not possible to control the movement of capital. Iceland has had to introduce capital controls, and has done so successfully since her crisis broke in the autumn of 2008. When I met with officials in the Prime Minister's office in Iceland, they assured me they had no difficulty making capital controls work, but it did require constant attention, as the owners of capital were always finding loopholes…By these means will we restore economic policy autonomy to democratic institutions.
That is how it should be. That's what our grandmothers fought for, when they fought for democratic government.

***Real World Economic Outlook: The Legacy of Globalization: Debt and Deflation* edited by Ann Pettifor
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Ann Pettifor is an author and analyst of the global financial system, and co-author of the *Green New Deal.* She predicted an Anglo-American debt-deflationary crisis back in 2003, and is known for her work on sovereign debt and international finance, including Jubilee 2000. Currently a fellow of the **new economics foundation** and director of *Advocacy International*.
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"The ideal tyranny is that which is ignorantly self-administered by its victims. The most perfect slaves are, therefore, those which blissfully and unawaredly enslave themselves."
Dresden James (1931-2008)

Full employment?

Wallace Klinck

Full or near-full employment is not a rational goal. It suggests that we live in a condition of real scarcity or on the edge of it. Any nation that requires nearly its entire employable population to provide for its material needs and wants is a very inefficient producing organization. (Viz. the former Soviet Union) A rationale goal is to provide material abundance with an absolute minimum of cost. Labour is a cost and its elimination by technology as rapidly as possible should be a national goal. "Man does not live by bread alone."

Provision of increased leisure should be regarded as the rational and ethical goal to be achieved by economic activity, which is simply a "functional activity of men and women in the world to be accomplished as quickly as possible with a minimal of expenditure of energy." (C. H. Douglas) Full employment as a state policy is a means of subjecting citizens to centralized control and has nothing to do with sound economic policy or the basis of a free society.

It is the cornerstone policy of communism, fascism—and debt-driven finance (Keynesian Fabian Socialist) capitalism—not to mention being diametrically opposed to Christian thought and practice and being also a manifestation of anti-cultural and crass materialism. It goes hand-in-hand with centralized finance and attempts to achieve it results in both increasing state intervention and in increasing intensity of international competition as nations attempt to export more real wealth than they import. It is, therefore, a major impetus to animosity amongst nations and the prime source of war. From a realistic rather than financial aspect full employment is neither necessary nor desirable from either an economic or a cultural standpoint.

People accept the policy of full employment only because the faulty orthodox financial system distributes increasingly inadequate consumer income primarily through paid employment while working directly in opposition to real technological advances in productive efficiency by negating such real efficiencies through rising prices. Citizens are saddled with the hopeless task of trying to repay un-repayable and escalating financial debt while not realizing that attempts to do so by further production under the orthodox conventions of national cost accountancy will only exacerbate the problem.

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Gold - Sacred Money – Bad Money – Financial Crisis

Michael Kientzler

When the great festivals took place at the temples and mystery-centers of old, people didn't go there for religious reasons alone; there was always some kind of fair or market held at the same time. This was the place to exchange goods: livestock, the cloth which the women had woven, weapons and jewellery, amongst other things.

Bartering filled a lot of the time, which was not dedicated to the processions, the mystery plays, the devotion to the gods. We know what a complicated process that must have been if you had a bull needed a sword and the armourer needed a horse. Thus the invention of money by the priests of the mystery centres was an enormous step forward. Symbols of gold were handed out with the image of the god imprinted, which meant that it belonged to the temple, the deity. These symbols for goods and commodities created an increase of wealth. Less time was spent bartering and the economic sphere was growing. Gold had no value in itself, because neither weapons nor tools could be made with it, but it had the qualities of consistency, pureness and radiance – almost divine characteristics in the physical realm. Therefore it was most appropriate to be used as a symbol for earthly goods as well as a symbol of trust in the priests of the temples who represented the divine on earth.

It seems likely that the custom of imprinting coins with the face of a human began under Alexander the Great. It became widespread after his death under the kings who divided his empire between them. Thus the origin of money lies in the religious sphere like almost everything else. It was a symbol for goods and not a commodity in itself and through the link to the divine it was originally protected from egoism and greed. In Hellenistic and Roman times this changed.

Warehouse banking existed even before the emergence of coinage, when grain was stored and administered by the king or pharaoh who was originally an initiated priest. Other forms of money existed in other parts of the world.

A whole new step was taken during the crusades by the Italian City States and the Knights Templar. Money orders and letters of credit were invented and used. All of this was based on trust. There can be no financial dealings without trust. The Knights Templar were trusted most because it was well known that the individual knights were sworn to poverty. Their castles were the safest banks and whole national treasures were entrusted to them. They seem to have been the only example of an institution, and the only individuals who were incorruptible by gold, since the time of money's origins in the holy temples. Their whole life was service to Christ. "My blood does not belong to me it belongs to Christ," was their motto. They had to be ready any moment to sacrifice their life on the battlefield. They attended mass every day.

All of this was a schooling in selflessness and created a spiritual shield against the temptations of gold which were powerfully at work in Philip le Bel (king of France from 1285-1314) of whom Rudolf Steiner said that he underwent a kind of gold initiation in the negative sense. With him the symbol of trust turned into its shadow. The other side of Gold was revealed. We might compare this contrast with the life-giving properties of the sun and the destructive burning, desert-creating side, something like the 'Sun -God' and the 'Sun -Demon'? Philip's greed for gold was insatiable and before his destruction of the order of the Knights Templar he tried to reduce the gold content of French coinage for his own gain, which caused an uproar during which he needed the protection which only the Knights could provide in their temple in Paris.

How can we understand the fact that only once was it possible to deal with great amounts of money in a selfless way, using it as a symbol for trust and as a means to further the welfare of the people, who were also nourished spiritually with folk tales and spiritual teachings by the knights? How does it reflect on the current crisis, which has definitely not yet come to an end? Is there anything to learn from the way the Knights Templar dealt with money?

The fall into sin in the money sector happened when money was endowed with a value of its own; when the symbol became a commodity, 'goods', creating a 'money market'.

We don't have to go into the details of the current crisis. Much has been written in great detail; most of it describes symptoms but not the cause. The approach has been similar to the approach of modern medicine, which mainly treats symptoms, and often creates other conditions of illness through side effects, which are sometimes worse than the original problem. One of the symptoms of the fatal social disease is the fact that debts were treated as assets. An even more important symptom is that there is a bubble of liquid assets floating around the world, money which is not any more invested in goods that produce economic activity, in factories and machinery, because the return on investment is much less than what can be made in the speculative 'money-market' which is basically a form of gambling, a chain-letter-economy. Capitalism had reached a state where it was much more profitable to deal with debts, credit, foreign currencies than with industrial products or raw materials and food. Since 1980 the volume of global finance has increased from $12 trillion to $196 trillion, an increase three times more than the world production. This has made some individuals incredibly wealthy, but at the same time has exported costs to developing countries and the exploitation of the earth, water and air with pollution that has created a 'nature-debt' that can never be repaid.

A new study by the World Institute for Development Economics Research has tackled that question and determined that the richest 2% in the world possess over half of all "household wealth." The comprehensive study also states that the poorer half of the world owns less than 1% of the total wealth. For the purposes of the research, the authors took wealth to be assets less what people owe, to include land, buildings, animals, etc. In the case of many developing nations, however, wealth had to be estimated. Not surprisingly, researchers determined that wealth is more concentrated in North America, Europe and in places like Japan and Australia than in the rest of the world.

All of this shows the total uncoupling of money and goods. The 'symbol' has taken over, turning into a dark shadow and creating a fictitious reality.

A year ago neoliberal teachings were the unquestioned dogma in economics, an ideological driving force for the 'turbo capitalism', which we have experienced. Adam Smith's teachings seem to prevail. Smith believed that when an individual pursues his self-interest, he indirectly promotes the good of society:

"by pursuing his own interest, [the individual] frequently promotes that of the society more effectually than when he intends to promote it."

We should however also remember that Smith also lectured that labour—rather than the nation's quantity of gold or silver—is the cause of increase in national wealth.

The 'pursuit of self interest' is a euphemism for egoism. The more an individual can pursue his or her egoism (greed), the better it is for society as a whole. This is the essence of this teaching. This is the ideology behind the greed-driven capitalism, which has driven most of the economy in the western world for more than 200 years and has now exploded since the beginning of the nineties because governments have loosened their regulation of the financial system.

How good can the system based on greed and self-interest be, if it results in such a crisis, instead of furthering the welfare of all, as it was claimed it would? What kind of politicians are they, who enabled or at least allowed the business behaviour of some mega- banks? What seems to be mostly missing in all of that are the attributes of a human Ego (Self): responsibility, accountability and consciousness of the whole. For a long time I was full of wonder why the collapse which was to be expected hadn't happened yet. Now one could read and hear, 'greed is still good, but less greed'. How is that going to come about?
Interestingly enough this whole ideology which goes back to Adam Smith it is the exact opposite of Rudolph Steiner's 'Fundamental Social Law':

The well-being of a community of people working together will be the greater, the less the individual claims for himself the proceeds of his work, that is, the more of these proceeds he makes over to his fellow-workers, the more his own needs are satisfied, not of his own work but out of the work done by others.
This might sound very complicated but what it means in simple terms is that the well-being of a community of people working together is the greater, the less egoism can prevail. It is the idea of the uncoupling of work and income. This is the principle of brotherhood or fellowship applied to the economic realm. It is still just possible to study how that works in societies with extended families. The same principle only has to be applied outside the blood relationship. Modern human genetics talks about modern man stemming from two or very few ancestors, which means that physically we are all siblings anyway. It might have been thought that this realisation would free us from the continuous and never ending wars that plague humanity.

Could it be that only the realization of the possible common ancestor from the future, the second Adam or the Christ, would enable us to create this kind of economic principle?

Studying bees and their behaviour, one can have the impression that the fundamental social law might have been inspired by them! A worker that arrives in the hive with her sac full of nectar passes what she has collected immediately on to the other bees.

Everything is shared from the very beginning. In this process the honey is produced, moisture taken out of the nectar, new substances added and then the honey is stored for the whole of the colony. Every activity of the bees at every stage of their development serves the whole.

The bee colony is an image of selfless love producing a surplus of that substance which enables the colony to live through the winter, honey, which one could see as materialized love, and beeswax, which one could see as materialized light and warmth. The side effect of this is pollination of hundreds of plant species furthering the wellbeing of a whole landscape, of human beings and their health. This is a prophetic image of what might emerge in the human realm in a very far future, a community of selfless love.

All this might seem very good and idealistic, but what are we going to do now? How will we be able to work towards this goal in our time? The principles of a 'Threefold Social Order' will have to be adjusted to the necessities of our time. The will to do that will probably only come out of a major social catastrophe. If this does not happen, the aftermath of the financial crisis can only lead to greater catastrophes with the ensuing call for the 'Great Problem Solver' and a kind of centralized world government controlling egoism, satisfying material needs, and driving the spirit out of human civilization. We are already seem to be on a fast track towards this and nobody seems to notice. Forcing people to be good is evil; any change can only be based on insight, inner freedom and responsibility.

A slogan in the German youth movement of the early eighties was "yesterday we were a step from the abyss, today we are already a step further".

Let us hope that a waking up will take place soon after the mighty 'trumpet blasts' which we have heard several times during the last hundred years. After First World War there was the chance to change the course. This was when Rudolf Steiner developed the principles of the 'Threefold Social Order'.

The Second World War was perhaps a similar 'trumpet call' and chance. Will this one in the economic realm sound unheard again leaving humanity in deep sleep as before? The least that could be done is to tame economics, to realize that the banking sector's task is part is to serve the public, to serve the flow of money towards the places where it is needed where spiritual initiative is either directed towards the economic sphere or the cultural-spiritual-social realm. Money has to be understood again as the symbol it is for goods, initiatives, for trust in a functioning social organism.

Could this be one of the meanings of the trumpet-blasts in the Book of Revelation?

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Unemployment or War?

Chapter 12 Signs of Seed

Maurice Colbourne

Hitherto the reception accorded Major Douglas' analysis has been on the whole one of ominous silence. In itself this is a good sign. It means that Finance considers that what he stands for is formidable enough to keep silent about. This weapon of disregard, drawn by Finance only against foemen worthy of its steel, is perhaps the strongest in the armory, it being very difficult to knock a man out if he refuses to step into the ring. Not only is silence more powerful than contradiction, it is much safer. Hot dispute attracts a crowd and the awkward truth may emerge from the argument in raised voices for all to hear. Nonetheless, Douglas will out. The seed is already manifest in many ways and many lands; in the Bill to nationalize the Bank of England (shelved, by the way, because it affected private property rights); in the program of the Nationalist Party; in the League of the Kingdom of God; in the general economic discontent; in the writings, in England, of too many people to mention by name; in France, of M. Chastenet and others; in the U. S. A., notably of Mr. Waddill Catchings, a former President of the Central Foundry and Sloss Sheffield Steel and Iron Companies, and director of many industrial corporations, and of Mr. W. Trufant Foster, a director of the Pollack Foundation for Economic Research and formerly President of Reed College; in the Economic Freedom League; in periodicals ranging from the two-penny *Age of Plenty* to the redoubtable *New Age* in England, *Freedom* in Australia, and the *Western Producer* in Canada; in the motion before the Canadian House of Commons in 1925, "That, in the opinion of this House, it is not in the interests of the country at large that the privilege of issuing currency and of controlling financial credit should be granted to private corporations"; in a cognate motion before the same House in 1928; in a resolution carried by the Scottish Trade

Union Congress requesting the appointment of a Royal Commission to inquire into the banking system; in the Finance Enquiry Petition in England in 1926, on the Committee of which were to be found such men as the late J. St. Loe Strachey, Professor Soddy, H. G. Wells, Sir Oliver Lodge, G. K. Chesterton, the Chairman and Secretary of the Society of Friends Committee on War and Social Order, a K.C., a D.D., 3 M.P.'s, and at least one prominent industrialist; in the number of signatures obtained to this Petition; and in many other ways.

The best soil for the growth of the seed sown by Douglas is the general feeling now in the air that a change of some sort in our economic system is being gradually forced on us by events and is therefore desirable. The feeling, too, that such a change can be carried out without bloodshed among our fellows or blasphemy against our gods seems to be slowly gathering force. Always we must remember that systems were made for men and not men for systems. When these begin to encumber us and cease to serve us we must alter them. It should be possible to do this. "I believe," writes Mr. J. Taylor Peddie, "we can bend the principles of economic science to our will, that they are there to serve our purpose, and not that men shall suffer from the application of them." If we take this as our evolutionary text in economics we must take what Lord Inchcape says as a revolutionary warning. "A state can be laid low just as effectively by wrong ideas as by an invading army .... There is no agency of destruction known to the chemists that is half as formidable as the T.N.T. of bad economics." Obsolete economics are bad economics. Finance is firmly entrenched behind traditional success based on past conditions. Today it is faced with a fundamental change in those conditions. Will it change to meet them? For reasons already given one cannot but have the gravest doubts on this point, though people like Mr. Peddie and Mr. Keynes are optimistic, the latter writing: "If the new ideas, now developing in many quarters, are sound and right, I do not doubt that sooner or later they will prevail." There is a world in that "sooner or later," and meantime what would Mr. Keynes' comment be, one wonders, on the letter from the very big bigwig to the Cabinet Minister.

One of the great difficulties about changing this great amorphous sprawling thing we call our system is our colossal ignorance of it as it is. Even those who run it and benefit by it know very little about it.

Ruskin pointed this out long ago. "They do indeed know how they themselves made their money, or how, on occasion, they lost it. Playing a long practised game, they are familiar with the chances of its cards, and can rightly explain their losses and gains. But they neither know who keeps the bank of the gambling-house, nor what other games may be played with the same cards, nor what other losses and gains, far away among the dark streets, are essentially, though invisibly, dependent on theirs in the lighted rooms. They have learnt a few, and only a few, of the laws of mercantile economy." As for the Mother of Parliaments, it shuts up like an oyster whenever real economics catch the Speaker's eye. Thus when what has been aptly described as one of the most important and able speeches made in Parliament for many years, is delivered, no comment is made on it, no contradiction, no debate, everyone of its hearers being content to accept a financial difficulty as an insuperable one. The following extract from the speech will serve to show its tone, and for curiosity's sake we withhold the name of the speaker. "The only way in which we are going to find an outlet from our present industrial difficulties is by realizing that we have in this country, in our mining villages, in our industrial villages, in our towns and in our cities millions of people who have unsatisfied human wants, that side by side with these people we have millions of pounds worth of goods for which we cannot find a market, that if we can get rid of these goods we have join millions of people prepared to replace them with other goods. Surely it is not necessary, if we have any statesmanship left, that Britain should be compelled to starve in the midst of plenty." That is the way reality speaks: the rest is silence. One cannot wonder that on another occasion Sir Alfred Mond was moved to ask in Parliament whether England had a Government "living in Mars or in this planet, and whether it worked *in vacuo*, quite detached from economic affairs." Industrialists are not interested in the economic system except to squeeze what they can from it, elected representatives are not interested in it at all, and financiers are interested in it only to keep it as it is, being as ignorant of its nature as everyone else. "One is warned," Mr. Keynes wrote in 1923, "that a scientific treatment of currency questions is impossible because the banking world is intellectually incapable of understanding its own problems. If this is true, the order of society which they stand for, will decay." Mr. Keynes, however, does not believe this, for he goes on to say that "what we have lacked is a clear analysis of the real facts, rather than ability to understand an analysis already given." It is submitted that Douglas has now furnished the "clear analysis of the real facts" Mr. Keynes asks for.

Supposing, however, we know enough about our system to know that it must be changed, how would we go about it? The revolutionary says it must be *ended* because it is obsolete, and the diehard, equally determined, says it must be *retained* because it was good enough for his father and grandfather before him. Between these two extremes the New Economics maintains that the system can be *mended.*

What of the man who has sown the seed? A revolutionary who prowls round the Bank of England with a bomb in his pocket? Hardly. He tells a story of how the Canadian Government must have expected some such red-tied person when the Opposition invited him to Canada to give evidence upon the motion before the House of Commons referred to above. The Ministers were rather taken aback, therefore, when they found an alert, business-like Scotsman, a cousin of Lord Weir, a Cambridge University man and a gentleman, cross-examining them and successfully tying them up in knots. The Inquiry ended, and finding he had a few days to put in before his boat sailed, his hosts asked Major Douglas what he would like to do. He replied that above all things he would like a few days fishing. Accordingly he very soon found himself in Toronto in a shop famous for its trout flies. The proprietor, on learning his customer's name, said, "What, not the man who's been giving evidence in Ottawa before the Government?" and on being told that Major Douglas was none other, remarked with a twinkle, "Well, if you really want some good fishing I advise you to tell some of the bankers round here that you're in town, and I'll wager they'll be only too pleased to offer you fishing a great many miles from anywhere!

First and foremost Douglas is a Scotsman. To look at him he might be a gentleman farmer. His steady eyes, and ruddy cheeks, and jovial personality are those of a squire. A delightful host, his hospitality is of a kind rare in these hurried times, a hospitality in which one basks at ease from the first. And his conversation matches his wine. Not that it is sparkling, for this suggests brilliant conversation for brilliant conversation's sake, but, like good wine, it has a bouquet about it. Living in the country, Douglas is an adept at doing things for himself, with his own hands. A keen fisherman, as we have seen, he also sails his yacht single-handed in the Channel off the coast of France. Then, he laid down his own hard tennis court; and, just to keep his hand in, constructed an engine, for by profession Douglas is a civil engineer.

He has what is probably one of the best-swept minds functioning to day. It penetrates, too, without effort or conceit beneath the fashions and foibles of the times to the permanent things. He will let drop such a remark as that too much store is set on human life and not enough on human happiness, as though he were saying he thought to-morrow would be a fine day. In the *Commonweal*, the excellent Catholic weekly, published in New York, the one-time editor of the *New Age*, Mr. Orage, relates the impression made on him by Douglas and his analysis. "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; and he appeared and proved to be the most perfect gentleman I have ever met. His knowledge of economics was extraordinary; and from our very first conversation everything he said con- corning finance in its relation to industry-and, indeed, to industrial civilization as a whole—gave me the impression of a mastermind 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 business men, 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 subject itself, however, even in the hands of a master, is not exactly easy; and, in fact, it compares in economics with, let us stay, time and space in physics. By the same token, Douglas is the Einstein of economics; and in my judgment as little likely to be comprehended practically. In other words, a good deal of sweat is necessary to understand Douglas; and, with our absurd modern habit of assuming that any theory clearly stated must be immediately intelligible to the meanest and laziest intellect, very few will be the minds to devote the necessary time and labor to the matter. I was in all respects exceptionally favorably placed to make a fairly quick response. I had time, and from my long experience of literary geniuses, almost illimitable patience; I was vitally interested in the subject, having not only exhausted every other, but been convinced that the key to my difficulties lay in it; and, above all, Douglas himself was actively interested in my instruction. He said many things in our first talk that blinded me with light; and thereafter I lost no opportunity of talking with him, listening to him talk, reading new and old works on finance, with all the zest of an enthusiastic pupil. Even with these advantages, it was a slowish business; and my reflections on the stupidity of the present-day student of Douglas are generously tempered by the recollection of my own. It was a full year from beginning to study his ideas before I arrived at a complete understanding. Then all my time and labor were justified .... Certainly there is no lack of light on the subject to-day; but only the usual poverty of eyes and understanding." This rather long extract is good ballast for the youthful enthusiast, but he must not follow Mr. Orage too far, for disappointment and many years of weary experience have turned the latter towards a pessimism that now colors all his conclusions. A few years before—the passage quoted above appeared in 1926—his tone was more hopeful and practical, and in 1920 we find him saying: "What is needed on the one hand is a sufficient number of people to understand the Scheme and to put it into operation; and, on the other hand, the approval by the community at large of its results in practice. The results are certain if the Scheme be once adopted. But so far, no Executive of any Trade Union, Employers' Association, or Government department has sufficiently considered the Scheme to pass a judgment on its merits. Sooner or later, however, the time will come when such a scheme will be all that stands between Chaos and Order in industry." In so far as the remedy proposed by Douglas is eminently practicable, it would, if adopted, be brought home to the bosoms and business of each one of us. Wherefore Douglas is perhaps the Darwin rather than the Einstein of economics: even the stupidest of us being interested in apes and always ready to argue about evolution as something vitally concerning all of us, whereas Relativity appears to be so far removed from our daily lives, our daily bread, that we willingly let Einstein move about in the stellar spaces unrefuted.

If there is one thing more certain than another it is that Douglas is no fanatical crank. A crank being a person whose theory is based on premises either insufficient or not in touch with reality, and a fanatic one who rides his theory too hard, Douglas bears none of these marks upon him. If ever there was a closely reasoned theory based solely on facts and bent to practical conclusions it is his. "Discerned in retrospect as having been one of the great contributions of re-oriented Scottish genius to world-affairs" is the way a fellow Scot regards Douglas. For ourselves, we see him as De Quincey, waiting as he tells us for a "new law and a transcendent legislator," saw Ricardo more than a hundred years ago. "Thou art the man I" he exclaimed. "Wonder and curiosity were emotions that had long been dead in me. Yet I wondered once more—wondered at myself that could once again be stimulated to the effort of reading; and much more I wondered at the book. Had this profound work been really written during the tumultuous hurry of the 19th century? Could it be that an Englishman, and he not in academic honors, had accomplished what all the universities of Europe, and a century of thought, had failed to advance by one hair's-breath? Previous writers had been crushed and overlaid by the enormous weights of facts, details, and exceptions; Mr. Ricardo had deduced, a *priori,* from the understanding itself, laws which first shot arrowy light into the dark chaos of materials, and had thus constructed what hitherto was but a collection of tentative discussions into a science of regular proportions, now first standing upon an eternal basis."

The world, it has been said, belongs to the enthusiast who keeps cool. If so, Major Douglas is well fitted to claim it. Unfortunately, however, the saying omits to say when the title-deeds will be handed over. The date must be fixed by mankind.

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The Aim of Social Credit

H.E. du Pré

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The basic idea underlying Social Credit is that all political and economic problems with which we are striving today are, in essence, human problems relating to individual persons. This idea is certainly not new but has become so obscured that it requires a new and forceful presentation. It may be summed up in the phrase, "The State exists for Man and not Man for the State." This phrase embodies the main principle which supports the Social Credit faith, viz., that the State, as such, is a complete and entire abstraction if viewed separately from the human beings of which it is composed.

When the State performs perfect service to the individuals composing it, it does so because all the individuals are serving each other. When the State demands sacrifices which are unequal in their effects on individuals, some sections of the people are deluding others into the belief that this abstract thing has a real existence and benefits by their sacrifice. In so far as Social Credit philosophy insists that the individual is the only thing which ultimately matters, and that if all is well with individuals all will be well with the State, Social Credit philosophy is in alignment with what was taught by the Founder of Christianity.

The next principle is that individuals must be freed from the control of artificially created economic pressure in order to be able to fashion their own lives in the way they individually think fit. For the purpose of securing this economic freedom for all, it is not necessary that everybody should possess an abundance of *things*, but what is absolutely imperative is that every individual should be lifted above the degrading and soul-sapping necessity for concentrating almost the whole of his faculties on obtaining the means of mere existence. In this respect, Social Credit is uncompromising in its demand for an immediate abolition of this dire fate which threatens so great a proportion of people today.

Another principle of Social Credit is a belief in the fundamental goodness and decency of the vast majority of people and that in economic freedom these qualities will immediately become apparent. No progress can be made towards any solution of our problems while we adopt the utterly pessimistic attitude that human beings are to be trusted only when they are industrially occupied. If we are distrustful of giving economic freedom to those who are suffering from artificially created economic pressure, we are denying true freedom to those who appear at present to be more fortunate. Continued economic pressure on one section of the community imposes on all other sections more and more involved and costly methods of dealing with the problems it raises. An overseer is as much bound and frequently has more responsibility and anxiety than the slaves he manages.

I wish to emphasise this point because the main resistance to Social Credit today seems to come not so much from economic technicians as from those who tacitly accept the present wretched conditions on the ground that, where there is no work to be found for them, human beings must be forced to live on the borderline of starvation, wholly dependent on others. This, of course, is a form of slavery. These people are attempting to crack the nut of what they call a moral problem with the steam hammer of economic pressure, an entire misuse of both the power and the character of the instrument they use.

The problem could become a "moral" problem only if a man *would* not work when there was necessary work to be done. The facts are such that it will readily be agreed that this is not the problem which presses at the moment. The problem which does urgently demand solution is that of securing for people a decent life, which is a very different thing.

This point was dealt with by Douglas recently during an outstanding address to a very large audience at Liverpool, when he remarked, "I can say nothing to you which has not been better said by the great teachers of humanity, One of whom said, I came that ye might have *life*, and have it more abundantly." So far as I am aware, no great teacher of humanity has ever announced that he came that we might have better trade or more employment, and I am wholly and irrevocably convinced that while we exalt a purely materialistic *means* into an end, we are doomed to destruction."

The starting-point of this abundant life at which Social Credit aims is visualised as a well-proportioned sufficiency of wealth combined with adequate leisure; and such a combination would give that freedom of choice to individuals which is an essential prerequisite of personal happiness.

For the lure of excessive wealth lies not so much in the wealth itself as in the power it gives over the lives of others.

Excess of wealth is often accompanied by self-chosen renunciation of leisure. Sometimes the owner of this wealth voluntarily gives up opportunities for spiritual experience in exchange for purely materialistic ends, which state of affairs I take to be the meaning of the saying, "How hardly shall they that have riches enter the kingdom of heaven." For the lure of excessive wealth lies not so much in the wealth itself as in the power it gives over the lives of others. When all have a sufficiency, the power of excessive wealth disappears, and with it the subordination of the interests of millions to the policies of a small financial oligarchy. Leisure itself without any wealth is just a soul-rotting human boredom and spiritual frustration, and this is the terrible fate of all who have been "unemployed" for any length of time. But I would like to emphasise that there is nothing whatsoever in the Social Credit proposals, which would enrich the poor at the expense of those who are happily better off. There is no possibility of taking from one section of society and giving to another,

The general outlook of Social Credit having thus been outlined, its objective logically follows, and this is the bringing about of conditions necessary for the abundant life. Abundant life is an inner thing of mind and spirit, and the

Social Credit is the belief or faith of society that the individuals comprising it can get the *results* they want by working together in association. If people persistently get the results for which they associate, they have Social Credit.

external condition for it is freedom from the driving necessity for overmuch preoccupation with getting the means of bodily existence. How the Social Credit movement hopes to reach its objective is made clear by an understanding of what the term Social Credit really means. Social Credit is the belief or faith of society that the individuals comprising it can get the *results* they want by working together in association. If people persistently get the results for which they associate, they have Social Credit.

If all the individuals associating together as the nation were asked what results they personally wanted most urgently from thus associating, we should almost certainly get an overwhelming majority asking for such things as food, clothes, houses and personal security, which could be classified under a general term such as "the conditions of well-being." By such a referendum, we should find out what the mass of individuals composing the nation really want, and this desire would, under our definition of Social Credit, be a staring-point for our demand for results. It would thus be our *policy*, as an association of individuals, so that we should become what I can truthfully call a *political* democracy. This clear-cut conception that we must become in fact what at present we are in theory only – a "democracy of policy" – is the first idea which the Social Credit movement is striving to impress upon the consciousness of the people, allied with the idea that we cannot achieve this until we make up our minds as to exactly what policy we do want. Until this is done, governments lack the only directive power which will push them the way the majority of people want them to go.

This focussing of the people's will into demanding what they want has necessitated a re-statement of the root idea behind political democracy, that the sole foundation for the right and power of appointing governments is the common consent of the individuals of a nation, and that this right and power shall make the relationship of people and government that of master and servant. But a wise master does not order his servant to do impossible things; and so if a policy is vigorously demanded by the will of the people, the people must be sure that what they demand is something which can reasonably be expected to be put into operation, and the full and entire responsibility for the consequences of their *policy* must be accepted by the people themselves and not by the government.

If responsibility for the consequences of policy is on the heads of the people, however, it is only fair that the entire responsibility for success or failure due to *methods of carrying out the policy* should rest on the shoulders of the government which has been empowered to give orders to technical experts. Further, if democracy, as a principle, is right and proper in regard to the *initiation* of policy, it is altogether misplaced in regard to the administration of that policy. Administration is a question of employing experts who have the technical qualifications necessary for advising as to correct methods of carrying out policy. In this case, decisions must ultimately be made by individuals placed in positions of authority by the government, and no interference should be permitted which would undermine the power of the administration to carry a policy to its ultimate conclusion. If the methods of one set of experts are faulty or inconclusive, then other experts should be appointed under more and more limiting time allowances, until the policy is finally proved sound or unsound.

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Today, policies and methods come ready made for presentation to the people from financially backed party caucuses. For example, we get perhaps a "work for all" scheme presented against a "nationalisation of industry" scheme, neither of which is intended to nor can possibly give the people what they want because the people have neither stated nor been asked what they want. Such political methods are an insidious means of operating the old Roman plan of "divide and rule."

The Social Credit movement therefore is attempting to make two things perfectly clear: first, the absolute sovereignty of the people as regards policy, which must originate with and be self-chosen by the people themselves, and must not be imposed on them by any party system; secondly, that members of Parliament should be simply representatives of the people, specifically chosen to impose their policy on their servant the government.

The Social Credit movement has formulated into a clear statement of policy the emotionally felt universal desire of the mass of people for "conditions of well-being," and has accompanied this by an equally clear demand for results. The policy is one for results which can be demanded with confidence, because they are based on simple and undoubted facts available to anybody. These facts are the existence of widespread poverty on the one hand and actual or potential physical plenty on the other.

The demand is equally simple. It is for a National Dividend – that is, for the issue to the individuals in the nation of monetary or other claims to such physical wealth as is produced but is undistributed by the present system, or the production of which is artificially restricted. This demand is accompanied by a very few simple but vital conditions to the effect that the issue of the claims must not increase prices or taxation or deprive owners of their property or diminish its value. The demand is made by bringing pressure to bear on members of Parliament *of all parties* so that they in their turn continuously bring pressure to bear on the government from all directions. No demand is made for methods, so that the government is entirely free to employ what experts it likes to implement the policy. The Social Credit movement has thus reduced the working mechanism of political democracy to the very simplest of formulas which can be readily understood and acted upon by all.

Those who have no wish to alter the present unsatisfactory state of affairs or who hypnotise themselves into believing that they are unalterable, and those who are totally insensible to the physical deprivation, mental anxiety and spiritual suffering of millions of normally fine and decent people, would be only too glad if the Social Credit movement continued to raise discussions on purely monetary and technical matters. But experience has proved that such enquiries and discussions are abortive and time-wasting. The problem of abolishing poverty is far too urgent for further talk along these lines, and in demanding results, and only results, Social Crediters know that they are placing the responsibility for present conditions and for their amelioration where it rightly belongs, that is to say on the shoulders of those people who have made it their business to act as technical advisors to governments on such matters.

If these people will produce the results demanded, well and good; if not, they shall be replaced by others not only more competent but more willing. The Social Credit Movement is attempting to ensure that something be done, but it is for the individuals whose association together gives the name of Britain its credit to say *what* that something shall be and to demand it with all the authority which derives from their common consent.

"A truth's initial commotion is directly proportional to how deeply the lie was believed. It wasn't the world being round that agitated people, but that the world wasn't flat. When a well-packaged web of lies has been sold gradually to the masses over generations, the truth will seem utterly preposterous and its speaker a raving lunatic."
Dresden James (1931-2008)

Book Reviews

The Invention of the Jewish People
SHLOMO SAND
Verso, 2009
ISBN 978-1-84467-422-0
£18.99. Pp342.

Shlomo Sand's remarkable book has been widely reviewed, with varying degrees of anger, merging into patronising dismissal, as it appeared successively in Hebrew, French and finally English. However, the book itself is the most reliable indicator of the author's scholarship and skill in putting together this highly challenging history of the Jews.

"In cool, scholarly prose he has, quite simply, normalized Jewish history. In place of the implausible myth of a unique nation with a special destiny – expelled, isolated, wandering and finally restored to its rightful home – he has reconstructed the history of the Jews and convincingly reintegrated that history into the general story of humankind."

In these words, Tony Judt endorses a most valuable addition to the history of humanity as a whole.

The official version of the history of Israel gives it a special significance which justifies the State's right to existence. It holds that the world's Jews are descended from the ancient tribes of Israel, evicted by the Romans following the fall of the temple in AD70. Today this ancient people have been permitted to return to their rightful homeland after almost 2,000 years of exile.

In this work, the author, Professor of History at the University of Tel Aviv, documents evidence which suggests that the Jews now living in Israel and other places in the world are not at all descendants of the ancient people who inhabited the Kingdom of Judea during the First and Second Temple period. Their origins are in varied peoples that converted to Judaism during the course of history, in different corners of the Mediterranean Basin and the adjacent regions. Not only are the North African Jews for the most part descendants of pagans who converted to Judaism, but so are the Jews of Yemen, remnants of the Himyar Kingdom in the Arab Peninsula, who converted to Judaism in the fourth century, and the Ashkenazi Jews of Eastern Europe, refugees from the Kingdom of the Khazars, who converted in the eighth century.

The Declaration of the Establishment of the State of Israel in 1948 states unequivocally: "After being forcibly exiled from their land, the people kept faith with it throughout their Dispersion and never ceased to pray and hope for their return to it and for the restoration in it of their political freedom." Sand cites from a selection of the numerous authorities detailing the presence of substantial Jewish communities in urban centres throughout the Greek and Roman lands well before the Fall of Jerusalem in 70 CE. The Greeks, Phoenicians and Romans set up settlements in the lands, which they conquered, but in doing so they did not leave their homelands desolate and empty. Furthermore, they continued to use their own languages wherever they settled. As the first century historian Josephus noted, "As for ourselves, therefore, we neither inhabit a maritime country, nor do we delight in merchandise, nor in such a mixture with other men as arises from it: but the cities we dwell in are remote from the sea". On the evidence, it would seem likely that the migration of Jewish merchants, mercenaries and scholars swelled into much larger numbers through intermarriage. The corollary is that by the early twentieth century, a large proportion of the occupants of the British Mandate of Palestine were the direct descendants of the original Aramaic-speaking Hebrew farmers who remained on their lands, converting in due course to Islam.

In the Preface to the English-language edition, the author observes that he lives in "a rather strange society", because "Israel cannot be described as a democratic state while it sees itself as the state of the 'Jewish people,' rather than as a body representing all the citizens within its recognised boundaries (not including the occupied territories)". Anybody born to a Jewish mother can choose to live in any city of the world, at the same time knowing that the State of

Israel can be their place of abode if they so wish, whilst "anyone who did not emerge from Jewish loins and who lives in Jaffa or Nazareth will feel that the state in which they were born will never be theirs".

I feel cautiously optimistic that Sand's provocatively titled work will be given the serious study it deserves. If so, it will provide the opportunity for the exploration by the coming generation for the growth of a genuine spirit of unity in diversity to replace the negativity of the past.

Frances Hutchinson

Grace and Mortgage: The Language of Faith and the Debt of the World
PETER SELBY
Darton, Longman And Todd, 2009.
ISBN:978-0-232-52774-2
£10.95. 192PP.

Had the author of this book been writing during the 1930s, without a shadow of doubt he would have been among the theologians and eminent men and women of letters engaged in the study and discussion of Douglas' writings. However, *Grace and Mortgage* was published seven decades later, in the wake of concern at the international debt crisis facing many third world countries during the 1990s. It has been reprinted in response to current concerns at the credit crunch crisis.

Dr Selby, former Anglican Bishop of Worcester, provides a useful theological analysis of the role of debt in the modern world. By accepting a money morality, which appears to be objective because it can be counted, humanity is creating world chaos, socially, spiritually and environmentally. By a seemingly unconscious process, our actions are informed by two contrary sets of language, the one allowing us to worship God religiously, whilst at the same time we obey the economic necessities dictated by Mammon. Quoting from the work of many well-known authorities on the twentieth century economic system, and also from the Old and New Testaments, the author raises fundamental questions about the role of debt and usury in the everyday lives of ordinary citizens. He observes:

"We are not simply those who have incurred debts we cannot repay; we are also those who drive hard bargains, who profit from the debts of others and who, perhaps most seriously of all, are implicated in and frequently dependent upon the flourishing of an economic system that has as its inevitable and disastrous consequence the reduction of many of our fellow men and women to a destitution from which there is no escape."

Debt and usury are condemned in all the world's religious teachings, Judaism, Christianity and Islam included. Nevertheless, the economic system upon which all of us depend utterly for our every necessity is based upon – debt and usury. Dr. Selby has produced a remarkable, highly informative and readable review of the fundamental questions being raised by Christians and others about the relationship between sincerely held beliefs and everyday actions in the secular world of the economy. Yet, it lacks one essential ingredient - the Social Credit analysis of the workings of the financial system and its relationship with the real world of production, distribution and exchange. In the absence of that analysis, one can do little more than raise fundamental but unanswerable questions.

Frances Hutchinson

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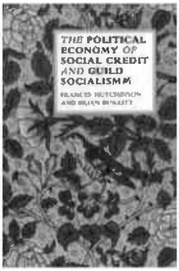
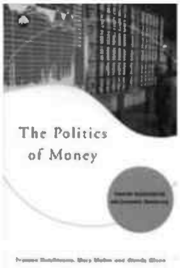


Frances Hutchinson & Brian Burkitt
The Political Economy of Social Credit and Guild Socialism

(Jon Carpenter £12.99)

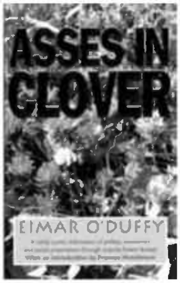


Frances Hutchinson, Mary Mellor & Wendy Olsen
The Politics of Money: Towards Sustainability & Economic Democracy

(Pluto £16.99)

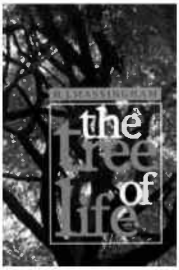
Frances Hutchinson
What Everybody really wants to know about Money

(Jon Carpenter £12.00)



Eimar O'Duffy
Asses in Clover

(Jon Carpenter £11.00)



H J Massingham
The Tree of Life

(Jon Carpenter £13.99)

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

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