

Why Social Social Credit?

An Explanation of Proposals to Correct Maladjustments in National and World Affairs

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By Major C. H. Douglas

MOST of us are familiar with the advice to the effect that "If playing golf interferes with your business, give up your business." It appears that the bankers, politicians and statesmen of the world have taken this advice to heart. As between giving up the money game, as played at the present time, and wrecking civilisation, there seems to be no doubt that they are all for wrecking civilisation.

The money game is really quite a simple game. It can be visualised as a ticket system, not much unlike a railway ticket system, with the exception that a money ticket will be exchanged for any sort of goods or service, whereas a railway ticket is only exchangeable for transportation. No railway company has been so foolish as to allow some independent organisation to acquire the monopoly of printing its tickets, to issue them upon its own terms, and to retain the proceeds, while the railway company confines itself to providing the transportation. But that is exactly what the world has done. We busy ourselves with invention, science, production and agriculture. We increase our productive capacity a hundredfold. We transfer the so-called curse of Adam from the backs of men to the backs of machines.

Billions of pounds of coffee, millions of bushels of wheat are grown in excess of requirements, and are wantonly wasted, yet we allow tens of millions of the countrymen of those who have produced these marvels of ingenuity and progress to exist upon the verge of starvation. Our statesmen, at the behest of the bankers who have monopolised the ticket system, explain that they are doing their best to get us all back to work, and to curtail the output of the machines and methods, which have been only too successful.

If the railway company met a public clamour for increased transportation by replying that while it was unfortunately unable to deal with the shortage of tickets, it was using every endeavour to see that the number of locomotives and the capacity of trains was cut down to correspond with the available number of tickets, I do not suppose that its policy would be regarded as satisfactory. Neither would it occur to most people that a shortage of tickets would be best met by altering the timing of the trains and the hours of work of the employees. It would seem fairly obvious to most people that a situation arising out of a defective ticket system would be best met by reorganising the ticket system, rather than by dealing, at any rate in the first place, with other departments which had been shown to function fairly satisfactorily.

Now it is the contention of those of us who propose the use of the public credit as a remedy for many of the economic, political and social ills of the present day, that the production system and its administration, while possibly not perfect, are demonstrably so good that they have produced a state of glut. Any changes, therefore, in the production or administrative system must either reduce its efficiency, or increase the glut. On the other hand, the existence of the paradox of poverty amidst plenty seems to be quite conclusive evidence that it is not the production system which is at fault, but the distribution system, and the distribution system is almost wholly a financial or ticket problem.

The principle of the remedies proposed can be, perhaps, best understood by imagining the public debt of the United States to be a correct accounting representation of the total assets of the United States, which at its present rate of increase will soon be the case, and to suppose that this public or national debt be issued without charge to all United States citizens in the form of interest-bearing bonds. By applying a portion of the possible interest of these bonds to the reduction of prices, it is quite possible to avoid a rise of the price of consumable products, or even to cause a fall in such prices, just as we apply a subsidy to cause a fall in the price charged for transportation. In this case, however, we do not provide the required amount by taxation.

If, at first sight, such a proposal may seem revolutionary, there is an adequate answer. At the present time, when a central bank, and, to a less extent, any normal type of bank, acquires securities, it acquires them by exchanging a

draft upon its own credit for the securities, thus increasing the money in the hands of the public by the amount paid, and increasing its own assets by the securities acquired. It is quite fair to say that a financial institution in such a case acquires securities for nothing, and I am not aware of any special reason why a financial institution should alone be thus privileged. The extension of the principle involved would result, amongst many other equally desirable achievements, in the reduction and ultimate abolition of taxation.

The usual objection raised to a procedure of this kind is that it is inflation. Why a procedure which is legitimate on the part of financial institutions should become dangerous when used for the benefit of the general population is never made very clear. The suggestion is inherent that an increase of money must necessarily be an evil, and is, in itself, inflation. Inflation is nothing of the kind. It is, on the contrary, an increase in the number of money tokens, accompanied by an increase in general prices. This latter state of affairs is now openly claimed to be the objective of the orthodox or bankers' financial system, so that the objection raised against the proper and scientific use of social credit to—at one and the same time—lower prices and increase purchasing power appears to be doubly irrational. It is perhaps unnecessary to add that the additional purchasing power issued would be cancelled by writing down the debts against which it was issued, as at present.

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It may be asked, what are the chances of proposals of this kind attaining the stage of realisation? The answer to this is, I think, that while the proposals in themselves are technical proposals, their realisation is a problem of the mobilisation of sufficient force to insure that the opposition of the monopoly of credit which now exists can be overcome. It is by no means a light problem, but it is being tackled with energy, ability and persistence in every part of the world and especially in the English-speaking countries.

So far, the United States has not heard so much of the orthodox social credit proposals as of various semi-socialistic schemes to which they bear only a superficial resemblance. There is every evidence, however, that within a period not exceeding twelve months there will be in the United States, as elsewhere, a recognition of the fact that the future of the world lies between two radically opposed ideas, the first the regimentation of individuals along the lines of Italian Fascism, German National Socialism, or Russian so-called Communism, on the one hand, and on the other, the institution of a modified financial system which will give the maximum amount of individual liberty to the individual, a liberty which can be defined as the opportunity to choose or refuse one thing at a time.

It may not be out of place to touch upon the bearing of social credit upon the problem of international peace. It is, at any rate, the belief of supporters of the Social Credit Movement that the primary cause of international friction, if not the only cause, is the competition for foreign markets.

Under existing conditions the competition for foreign markets is forced upon governments by their apparent inability to regard the individual as other than a person

for whom economic employment must be found. Failure to find this employment, being accompanied by cessation of wages, both causes destitution to the individual and a still further diminution of markets for consumable goods. If recognition can be obtained for the conception of an economic system as not being primarily an employment institution, but rather a method of providing goods and services with

the minimum of work on the part of everyone, the great urge to force upon alien populations goods which either they do not want, or would prefer to produce themselves, will prefer to produce themselves, will be greatly reduced, if not, indeed, completely eliminated.

Human Beings or Ciphers?

Marvellous Exhibition of Financial Mentality.

ON April 25th last a whole page of *The Times* was taken up by the annual report of the directors of Sofina, which stands for Societe Financiere de Transports et d'Enterprises Industrielles. It is a peculiar document in that it contains no reference to the progress of Sofina itself but consists of ten thousand words or so, plus neat little tables of statistics as an explanation of the present business depression. A. N. Dannie Heineman read it, so he, presumably, is the chairman of the company and probably the compiler of this extraordinary report.

Right at the start of his oration he says, "The doctrine we deem to be false is that which extols consumption of consumers' goods, tolerates production of durable goods for personal use, and, in a general way, condemns the formation of capital as being useless or pernicious in present circumstances. We hold, on the contrary, that the present depression, no less than preceding depressions, can be remedied only by a resumption of private expenditure on reconditioning and creating durable goods."

When you have got hold of those sapient words you will notice that they mean just this. There is a glut of "consumers' goods" because people cannot buy them as fast as they are produced. People cannot buy because they haven't got the money, so M. Heineman's advice is to buy still less, thereby increasing the glut, and make more machines to increase the glut still more.

This advice will, no doubt, be accepted most gratefully by the two million or so fifteen bob a week dole drawers who will hasten to their stockbrokers and tell them to pick up a few good industrials. Even more grateful will be the thousands of employers carrying on by courtesy of their bank managers. They will let their wives and children starve so that they can buy machines, to add to the rows of idle ones they already have. This may seem pie-eyed to the ordinary man, but then M. Heineman is no ordinary man. He is a FINANCIER. He can command ten thousand words in *The Times*, probably any time he likes with no one to say his drivel nay.

That is the trouble. The ordinary man KNOWS that this advice of Heineman's is pie-eyed, but because he is a financier his gup must be swallowed.

The one good thing about this report, if so it may be called, is that it debunks several other theories which are current. It gives a nasty crack to Government interference in business, and another to "Protection." Two of M. Heineman's jabs are worth quoting. "Need it be recalled that profits, generally speaking, have suffered a greater decline than appears from their published records? Many companies have reduced amortisation and depreciation provisions and paid dividends in order to preserve their credit or to give the shareholders an income they could not, in present circumstances, forego without hardship. (My italics).

The second crack is worthy of even more careful notice. He says "Whatever measure of recovery is noticeable today in various countries is doubtless largely due to renewed activity in the industries supplying military equipment." How would those two look on the hoardings beside the National Government posters?

But these gleams of reason are transient, and we turn, after them, into chaotic nightmares of statistics all adduced to back up Mr. Heineman's great thought, which runs thus: Seeing there is a superfluity of machines the proper thing to do is to make still more machines.

The truth is that this financier, like all others of his kidney, ignores hard facts or pretends to. He doesn't think of the business depression as meaning fifty million or so people in the world starving in the midst of plenty, as meaning thousands of bankruptcies and suicides, as meaning, what does it mean, the destruction of humanity. He thinks of human beings as ciphers in a table of vital statistics and of human activities as statistics of industrial output. He is concerned, in short, not with filling human bellies and clothing human backs, but with the best way of squeezing facts to fit a crazy financial pattern.

We all know there are enough machines to give us all we want of the material necessities of life. Further, more and more of us are getting to know that, while it takes time, skill and effort to make machines, it takes practically nothing to make money. Unfortunately, our government is dictated to by men like the author of this report, and we all suffer in consequence.

From now on, therefore, let US do the dictating. Let US tell the Government to give us what we want which is the money to buy the stuff we need and which we can make.

HIBERNIAN

If this civilization ends because you fail to work for the Electoral Campaign, yours is the responsibility.

Labor Saving

In 1926 the railways of the U.S.A. employed 1,822,000 men. In 1934 they employed only 990,000, yet the services rendered had not deteriorated.

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First Class Debtors

In its third annual report, issued on June 18, the League Loans Committee (London) directs attention, according to the *Financial Times*, to the value which credit can have to a country. Danzig and Estonia, it is pointed out, have maintained the full service of their League loans and may be regarded as first-class debtors. In his first interim report to the Alberta Government, published in last week's SOCIAL CREDIT, Major Douglas also points this out, and suggests how Alberta and any other community that follows his advice—can become first-class creditors, and issue National Dividends to their population. (*See front page*)

Change of Address

Owing to the growth of the Secretariat's work and the increase in circulation of SOCIAL CREDIT, new and more convenient offices have been taken at 163a, Strand, close to Aldwych Tube Station, to house both together.

The address of the Editorial and Publishing Departments of SOCIAL CREDIT, as well as of the Secretariat, is now

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