

The ABC
of
Social Credit

By
E. S. Holter

With a foreword by
Charles A. Bowman

**“A straightforward, honest and
simple outline of Social Credit.”**

MAJOR C. H. DOUGLAS

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Here is a primer for those who desire a clear, comprehensive, simple explanation of the principles of Social Credit. Social Credit is the name by which the economic doctrines of Major C. H. Douglas, the English engineer-economist, is popularly known. With the world facing an unparalleled economic crisis, it is the duty of every intelligent citizen to be informed on the various theories that are put forward for our national and international rehabilitation. Social Credit is one of these, and here in compact form its main characteristics are expounded.

Major Douglas' proposals comprise a plan, scientifically worked out, which would remedy the appalling paradox of "poverty in the midst of plenty." He advocates the use, rather than the abuse, of our tremendous national resources — raw material, scientific inventions, skilled labour, etc. To make the proper use of this wealth it is necessary to have a financial system that will accurately reflect the true wealth of a nation instead of, as at present, obscuring the facts and giving a false impression of scarcity. Social Credit means simply the "monetization" of our real credit for the benefit of society as a whole.

Contrary to certain fallacious suppositions, Social Credit has no Socialistic, Communistic or Fascist implications, nor is it effected by any means of regimentation. Douglas says that systems are made for men and not men for systems, and the philosophy of Social Credit is based on individual freedom. No revolution would be required to put Social Credit into practice, except a revolution in our way of thinking about money.

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Foreword

Right Hon. R. B. Bennett, as prime minister of Canada, in an address at Kingston to the students of Queen's University, asked the following question:

Why, with a superabundance of the products of the earth, the factories, fuel, power, highways and railways at our disposal, are so many suffering from an insufficiency of the things of life? We have come to realize that this is the most urgent of our problems.

Without undertaking to provide an answer to the students, the Canadian prime minister went on to say that economic doctrines had been built on the theory of scarcity. In the field of government, he said, the economics of scarcity still dictated policy. He described the position forced upon government as follows:

With the Aladdin lamp of modern production at their elbow, with large sections of their population in want, tariff barriers are erected, quotas established, exchanges controlled, in an ever-failing effort to restore the productive machine by creating a semblance of scarcity. Smaller nations are compelled to follow the action of greater commercial nations in order to maintain their very existence.

Mr. Bennett's address to the students at Queen's University did leave the thought that the teaching of economics in the universities could well be more directed toward forward movement out of the economics of scarcity.

Outside of the universities, since the world returned to the use of economic methods in place of military methods of war, leadership away from old economic doctrines of scarcity has been given by the distinguished British engineer and new economist, Major C. H. Douglas. This leadership has been more in the field of literature than in the field of politics, but emerging from it is the Social Credit movement with growing signs that it will find expression in politics.

As an introduction to the subject of Social Credit, Elizabeth Sage Holter has written this elementary textbook in simple, readable form. It is most appropriately entitled "The A B C of Social Credit". With this book available for Canadian readers, no one need longer feel that Social Credit is too involved to be understood without deep study.

Whether by Social Credit or along some other path; the necessity of moving forward out of the economics of scarcity must continue to become daily more apparent.

A new prime minister has been elected in Canada to take up the torch from the hands of the Conservative leader, Mr. Bennett. How much the Liberal leader, Right Hon. W. L. Mackenzie King, is aware of the problem to be dealt with may perhaps be indicated in a statement made by him in the House of Commons before he took office, as follows:

Once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws. Usury, once in control, will wreck any nation. Until the control of the issue of currency and credit is restored to the government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and democracy is idle and futile.

While there is nothing in this statement to indicate that Premier Mackenzie King has any thought of exploring the path of Social Credit, it is one more sign of the times.

In the meanwhile, until someone has shown the Canadian people a better way, time can profitably be devoted to the reading of literature on the new economics, at least to the extent of reading such a lucid introduction as Miss Holter's "The A B C of Social Credit".

JANUARY, 1936

CHARLES A. BOWMAN, Editor of The Citizen, Ottawa.

Chapter I

Introduction

The Purpose Of Social Credit

An ancient rule reads, “Give to him that asketh.” Social Credit is the fulfilment of that law.

Most thoughtful people are agreed that the root of our economic troubles to-day is under-consumption—not inability to produce, but inability to consume. Our factories and farms are equipped and ready to turn out in profusion the things that we need and want. But mere capacity to produce is not enough. Actual production is halted because producers are waiting for orders. The consumer is not at fault. He is anxious and willing to buy, but he lacks the purchasing power, in the form of money which is necessary to make his demand effective. The result is, that while producers’ shelves are overflowing with unsold stock, and farmers’ produce is going to rot, we all have to go without what we want, and many people are being deprived of even the necessaries of life.

The purpose of Social Credit is to supply this shortage of purchasing power which is holding up industry, thereby securing economic independence for every one of us, through enabling the community for the first time to make use of the great resources which have been provided by nature and science, but of which we are not availing ourselves at the present time. This is indeed a high aim, but by no means one that is impracticable or even difficult of achievement when the existing physical possibilities of abundance are taken into consideration.

The Past And The Present

The last 150 years have transformed the world. Before James Watt, in 1774, invented the first practical steam engine, the struggle for existence required all man’s time and energies. In the days of individual production, implemented only by hand labor, scarcity was never far removed, and always to be reckoned with. To-day, as countless statistics have shown, many of our machines can do the work of ten men, many the work of ten times that number, and the problem of satisfying material wants in abundance is definitely solved. And yet the phantom of scarcity stalks the land, a terrifyingly real flesh and blood creature to the deluded millions who can never be certain of their next meal. “The conditions of poverty which people were once prepared to accept as the natural order of things are completely intolerable in a world where wealth is daily destroyed because its distribution does not pay its owners.”*

** New Statesman and Nation—February 24, 1934.*

The Method Of Social Credit

The problem to-day is no longer then the age-old one of how to *produce* enough, but the comparatively new one, namely, the distribution of plenty. It is with this new problem that Social Credit deals. Recognizing that under our present economic regime, money is the exclusive medium of distribution, Social Credit proposes to make the necessary changes in our financial system which will enable it to function as an effective agency of distribution. This, and the other Social Credit proposals, “while undoubtedly far-reaching in their effect on many features of our present-day economic structure, nevertheless avoid all necessity for the abolition of private ownership, the destruction of the price system, the suppression of individual initiative, the nationalization of industry, or the imposition of any form of regimentation, whether soviet or fascist.”*

**“What is Social Credit?”* Published by the New Economics Group of New York.

A system adapted to the purposes of Social Credit would reflect the true facts of this country’s actual and potential wealth, available to all, instead of, as at present, mysteriously obscuring them by the abracadabra of high finance.

In contradistinction to the conservative or orthodox point of view, Social Credit follows the principle that progress is achieved through a constant departure from precedent, or more accurately, that the means of

dealing with circumstances must be adapted to the change in circumstances. It is the natural course of evolution to apply *new* methods to *new* situations.

The Old Methods Of Economic Organization

All producer-credit schemes involve the recovery of the total cost of production in prices. This, to-day is impossible because Industry, as it becomes increasingly mechanized, distributes less and less money in the form of wages and salaries. To pour money into production while the community's capacity to purchase its product is daily diminishing, is impracticable from the producer's as well as the consumer's point of view. Ruskin said that "Consumption is the crown of Production," and, in fact, production in an economic sense has no meaning unless the goods produced are consumed.

A means of distributing money direct to the consumer, in order to replace the purchasing power that he is losing through the mechanized processes of industry, would be as beneficial to the man who wishes to sell his products as to the man who has need of them.

Fear, poverty, unemployment, misery, despair and possible war are facing us to-day. Every one is desperately seeking a way out, but emotion, unless transformed into action, intelligently guided, will result in futility. Social Credit provides a plan by which mankind can be liberated from the bonds of economic slavery.

Chapter II

Our Money Is Predominantly Credit

Definition Of Money

As the method of Social Credit is primarily financial we must consider very carefully just what money is. Professor Walker's definition is as concise as any. "Money," he says, "is any medium which has reached such a degree of acceptability that no matter what it is made of or why people want it, no one will refuse it in exchange for his product." A less academic way of putting it would be to define money as "a claim on goods and services," or, more succinctly, as "tickets." Such tickets, of course, need have no value in themselves, and we shall find that as a matter of fact most of the money which we use to-day is intangible, with no more substance than a bookkeeping entry.

Development Of Money—From Barter To Credit

The first money systems were little more than barter, because the mediums of exchange had *intrinsic* value. During the hunting age skins constituted the chief form of money, and in the succeeding pastoral age the pastoral animals themselves became currency. Still later a variety of objects were used, which included tea, corn, olive oil and coconuts. Tobacco was the legal tender adopted by the Colonists in North America. The metal disks of gold or silver which we more usually recognize as money had an intrinsic value as precious metals, although not the practical aspect of the skin that could be worn or the ox that could be eaten.

But from a very early date it was recognized that money need not have any substantial value in itself to carry out its function as a medium of exchange. Even the early brass and copper coins derived their value in exchange for goods from the fact of their monetization, not from their metallic content. Kublai Khan had a well developed paper money system. Adam Smith states that the banks in many European countries were established for the specific purpose of affording a dependable unit of account for international trade. These banks received the mutilated, worn and diminished coins which were in circulation and gave a credit for them in their books. This credit was known as "bank money" and foreign bills had to be paid in such money. The Bank of Amsterdam is recorded "as having been the first bank to issue paper money on a large scale against the metal money it received from its clients for safekeeping." *

* *Economic Nationalism*, by Maurice Colbourne, p. 126.

In England the development of credit money is to be traced in the practices of the goldsmiths. They received gold from depositors against which they issued receipts. These receipts were more convenient than gold, and circulated freely as money. In them and in the orders of depositors upon the goldsmith may be seen the origin both of the modern bank note and bank check. The goldsmith soon came to realize that he could safely issue more receipts than he had gold. Such receipts circulated solely on the credit of the issuing goldsmith. An additional form of money was brought into existence.

The practice which thus grew up was formally recognized when the Bank of England was founded in 1694. It was the first bank to create money following the "reserve" principle of the goldsmiths. This device of creating money on the "reserve" principle is still practiced to-day by the banking system in general, and is of course "based on the assumption that people depositing gold in a bank will leave it there, preferring to handle in their daily business the convenient notes issued by the bank instead; and that, although the bank guarantees to pay gold on demand, it is extremely unlikely that many people will make this demand simultaneously."*

* *Unemployment Or War*, by Maurice Colbourne, p. 142.

And, thus, the banking system up to the present day builds an inverted pyramid of credit on an apex of gold. All goes well until the unexpected happens, and then the pyramid and the "reserve" principle topple together to the ground. Two outstanding examples of these recurring cataclysms occurred in England at the outbreak of the war and in America in March 1933. In both cases the gold standard was proved, almost overnight, to be little more than a fiction.

The Gold Standard

To-day the great majority of countries have abandoned the gold standard, and paper money is not redeemable in gold. In this country while avowedly there is a certain amount of gold behind every dollar, we are forbidden by law any access to it. Our gold is safely, if not hermetically sealed in the vaults of the Treasury where it can have absolutely no relationship to the paper currency in domestic circulation. Its effect is purely psychological. The fact that we continue to accept our money, though we realize that it could not be redeemed in gold, is clearly indicative that whatever money is made of, it is our belief in its effectiveness to buy that gives it its value.

Currency And Credit Money

Whether currency has intrinsic value or not is of negligible import because in any event it forms only an inconsiderable part of the money of the community which we use in effecting the exchange of goods and services. To-day currency, by which is meant tangible money tokens, coins, bank notes and treasury notes, is used in not more than 10% of business transactions. At least 90% of our money is bank deposits circulating through the medium of bank checks. It is therefore plain that even to double the amount of *currency* in circulation will have little effect upon the total amount of *money* at our command. The crux of the situation is these bank deposits. Whoever can determine their extent can determine the amount of money which the community has at its disposal.

Real Wealth—Real Credit— Financial Credit

And yet with the facts staring us in the face, the preconceived idea that money is something tangible still persists. Some of us, like the most uncivilized savages, have made of it the fetish before which we pay our vain oblations. Money is not God, nor is it even a commodity. You cannot eat it, wear it, or live in it. Yet it remains a mental fixation with some of us that money *itself* is wealth. Money is not wealth. It can be considered as wealth only in so far as it can be exchanged for such goods or objects as we may desire. (A bag of gold in the desert would little avail us.) The *real* wealth of any nation is its ability to produce and deliver goods (including services) as, when, and where required. Similarly the *real* credit of a nation is the belief in that ability, whereas the *financial* credit of a nation is quite simply the estimate of that ability expressed in monetary form, or as it is called, “monetized.” “But the *raison d’etre* of *financial* credit being the proper distribution and utilization of *real* credit, it would seem an absurd restriction to limit the amount of such credit, not by the needs of Industry, but by the amount of legal tender in circulation. And the absurdity is greater still if the aggregate amount of such legal tender is in its turn restricted by the amount of gold within the community.” *

**The Community’s Credit*, by C Marshall Hattersley, p. 105

Money Should Be An Accurate Reflection Of Real Wealth

It seems obvious that a credit structure based on gold bears little or no relation to the needs of the community as a whole. *Financial* Credit or the money based on a nation’s *real* credits should be an accurate reflection of the nation’s *real* wealth, defined as its ability to produce and deliver goods, as, when, and where required. To-day *financial* credit does not do this, but instead conceals the true facets of the nation’s wealth by restricting the flow of money. This inadequate supply of money flowing into the community gives an artificial and false aspect of scarcity, for there is no shortage in the country to-day of either actual or potential wealth. It is only money which is limited.

Credit As Lifeblood Of Industry

It is manifest that money, credit money in our case, is necessary to the conduct of Industry. It is, in fact, its lifeblood, and as such should circulate harmoniously through the system of Industry as the blood flows through the human body. At the present time this blood supply is monopolized by financial institutions that can distribute it when and where they please, and draw it back again at their convenience. This implies alternately flooding Industry with money or paralyzing it by diminishing the supply. Neither alternative is

conducive to the health of the body economic.

How Our Money Is Created

It is through the loans which it grants to Industry, and less frequently to individuals, that the financial system acquires its control over this vital flow of credit. Although by the Constitution the power of issuing money is vested in Congress, most of our money is really created and issued as credit through the banks. As individuals we are wont to think of a bank deposit as representing actual funds placed with a bank for safe-keeping by the depositor. But this is far from being the case. In the main, deposits are *created* by the loans made by the banks themselves, and even individual deposits as above described are only the redeposit of deposits which originated in loans. “Every bank *loan* creates a *deposit* and every *repayment* of a bank *loan* destroys money.” When a banker agrees to make a loan of, say, \$100,000 to a producer, he writes the figures in the bank’s ledger and from the moment the transaction is completed the producer is in possession of a brand-new *deposit* upon which he can draw any sum, up, of course, to \$100,000. As the borrower draws his checks, this sum is money to him and to the community. And it is *new* money created by the bank’s action in making the loan. It is an absolute addition to the community’s stock of money, for the new deposit which has been created does not lessen the amount of any existing deposit. The situation is not altered if the loan is made on collateral security, for these securities in the form of stocks, bonds, mortgages, etc., are not drawn upon in any way for the creation of the \$100,000. In fact they remain completely unaffected by the *new* money, and for all the use the bank makes of them, beyond locking them up in its vaults, the producer might have kept them in his desk at home.

What then is the banker’s inducement to create such loans? The answer is, of course, profit, as must necessarily be in the case of all private business institutions. The banker believes that, at the end of a certain stated period, the money that he has loaned the producer will be repaid with a fixed interest. Now, it is interesting to observe, that aside from collateral security, the real basis of such loans is the banker’s belief that the producer will produce some commodity that the consumer will want to consume. In this way the banker expects the producer to be enabled to recover through the sales of his products the money with which to repay his loan. Without the faith in the community’s ability to produce and consume, never a penny of bank credit would be lent. In other words it is upon the strength of the community’s capacity to produce, deliver and consume goods that bank loans are created. Notwithstanding this fact these credits, extended to producers, become not only for the producer but also indirectly for the consumers, debts to the banking system, because the producer in order to repay the bank must recover in prices not only the current cost of producing his article but also all capital or overhead costs. Such procedure is patently absurd—that the banks should charge the community for the use of its own credit, although it is the banks that make the profit out of the use of this credit.

Misconceptions In Regard To The Source Of Money

It must not be thought that the man who raises, say a 100 bushels of wheat or a 100 bales of cotton, simultaneously raises their equivalent in money. Money is not thus spontaneously generated. Somebody has to manufacture it. No industrial plant produces money. Industry manufactures goods and in the process *distributes* money in wages, salaries and dividends, but the money which it distributes it has to get from the banks. Under the present system the banks are the only factories which have the right to manufacture money.

Intangible Money—Bank Credit

Aside from our state-created currency, which is negligible in amount, “the amount of money in existence varies only with the action of the banks.”*

* From *Post-War Banking Policy* by Reginald McKenna.

This means simply that the activities of the banks alone can add to or diminish the total amount of money in circulation. It is with this bank-created credit, which is exactly as effective as money-tokens, though it never assumes a tangible form, being evidenced merely through the medium of checks and bookkeeping, that we are concerned. This credit money performs about nine-tenths of the functions of

money to-day—and the power of creating and destroying it at will, regardless of the needs of Industry or the community as a whole, is the exclusive right of the financial system.

Chapter III

Insufficiency Of Purchasing Power

The Business Of Banking

Banking is a private business, and as such must be run for profit. It is expedient therefore for banks to loan money when such action will benefit them, likewise to recall it when the contrary action is advantageous. It must be remembered that, except possibly for a very small fraction, all money loaned by the banks is entirely *new* money—actually created by them.

Of even greater importance is the fact that when loans are repaid to the banks, the money that they represented, less the interest charged, is destroyed—actually taken out of existence. This process has disastrous effects on the community as a whole, and is to a great extent responsible for what Social Credit calls the chronic shortage of purchasing power. Our *only* purchasing power is money.

Though it is a common supposition, supported largely by financial authorities, that the mechanism of Industry, or more explicitly, the initial expenditure for production (plant, maintenance of plant, improved processes, etc.) is financed out of private savings—this is true only in a minor degree.

Far the greater proportion of such financing is done under the auspices of financial institutions which deliberately create *new* money for this purpose. What is the result? What effect has this new money on prices, on the supply of goods, on the amount of purchasing power in the consumer's pocket, on the community's welfare in general?

The Flow Of Money

The Social Credit analysis demonstrates that this method of financing the consumer through the producer must always result in a shortage of purchasing power. Money flows in a definite course. The source is the banking system which starts the current by making loans to the producer, who through the processes of Industry, distributes it directly or indirectly to the consumer. The consumer buys with it the product of Industry over the retail counter. At this point the money is started on its homeward journey for after it has again passed through the producer's hands, it is returned to the bank in repayment of the original loan. Under this system it is obvious that if a part of the money which enters into the producing channel fails to reach the consumer, or if any of the money which does reach the consumer is not actually spent, a shortage of purchasing power will result. Let us consider some of the facts which explain such deficiency.

Interest Charges On Bank Loans

In the first place there is the matter of interest on bank loans. It is obvious that when the producer repays his loan to the bank he not only returns the original sum, but the interest on that amount as well. In other words he is required to pay back to the bank more money, by the amount of the interest, than was originally loaned to him. How is it possible to recover more money than has actually been put into circulation? The community is the victim and pays by being deprived of the use of this "credit" for consumption of goods. To this extent a shortage of purchasing power is incurred.

Effect of creation and withdrawal Of bank loans on the community

The Quantity Theory of Money declares that the level of prices is determined by the relationship between the quantity of goods and services that are available for purchase and the quantity of money (purchasing power) at the disposal of the community. While this theory may be true in a general way, prices cannot fall below manufacturing costs, however much the amount of money is reduced by deflation. Selling below cost can never be more than a temporary expedient. The subject of the minimum price of goods and how Social Credit treats the matter will be discussed in detail later under the head of the Just Price. To illustrate the nature of the flow of money under the present system, let us take a specific example. Suppose that a prospective shoe manufacturer receives a loan from the bank. With it he sets up his plant and starts

the business of manufacturing shoes. He distributes the *new* money he has received from the bank for initial expenditures on plant, for raw materials, in wages and salaries to employees. This money appears in the consumers' pockets and is spent at retail stores. The sequel to this is that by the time the shoes are finished and ready to be put on the market, the money distributed in the course of their production, has already been spent and returned to the bank—there to be cancelled out of existence. There is now a large supply of new shoes on the market but the purchasing power which should be available to buy them has been used up in the cycle previous to their appearance.

Savings And Re-Investment

Savings, for any reason whatever—provision against illness, against retirement either through old age or other compulsion, provision for the future education of children, etc.—all have a like effect in reducing the amount of money actually spent on consumption in the period for which it was created.

When savings, not required for immediate expenditures, are re-invested in production they not only detract from the current amount of money available for consumption goods, but further intensify the inadequacy of purchasing power by stimulating additional production. “The investment of the funds so saved means the reappearance of the same sum of money in a fresh set of prices, so that on each occasion that a given sum of money is re-invested, a fresh set of price values is created without the creation of fresh purchasing power.” *

**The Monopoly of Credit, by C. H. Douglas, p. 108.*

Thus it will be seen that hoarding under the present system is the least detrimental form of saving because while hoarding reduces purchasing power by withdrawing it from circulation, it does not stimulate production, and thus add to costs.

Profits

A word should be said here about profits. The socialist or communist contends that profits are the cause of all our economic distress. Profits, however, are merely an addition to prices which increase the collective price of goods for sale without increasing purchasing power. If arrangements are made to represent these additions, or charges, by increased purchasing power, profits are not only legitimate but useful.

Displacement Of Men By Machines

Another reason for the diminishing amount of purchasing power in the pockets of consumers is the increasing displacement of men by machines. This is such an obvious fact that it need only be briefly stated. As it is through Industry that money is primarily distributed (you can even trace to this source the origin of the money, if any, possessed by individuals as far removed from the industrial world as the actor or the poet), it stands to reason that as the efficiency of mechanical plant replaces hand labor, less and less money will be paid out to individuals per unit of production in the form of wages and salaries. In other words as the mechanical equipment of Industry progresses in efficiency, the community is increasingly unable to claim its product. The only alternative is to reduce prices continuously.

Inherent Flaw In The Present System

The items listed above are some of the causes which contribute to the lessening of purchasing power. However aggravating these factors may be to an already bad situation, they are neither separately nor collectively the fundamental cause for the disparity between productive capacity and consuming capacity to-day. According to the Social Credit analysis the root of the evil is inherent in the present financial system itself. If never a penny further were saved, hoarded or re-invested in capital production, and if the banks charged no interest, nevertheless, at *any given moment* the amount of money available to the community as purchasing power *is never sufficient* to buy back the total product of Industry, if any charges are made in respect of “capital” production.

To make this statement clear it will be necessary to see just why the price of an article is such that if a portion of articles are sold at that price, a remainder of articles must remain unsold. Let us, for this purpose, consider the costs that must go into the price of an article in order that the producer may be enabled to recover through prices *all* his costs plus a profit.

The producer of any commodity, whether it be shoes or airplanes, has naturally many and varied expenditures before his product is completed and ready for retail sale, but these costs are divisible into two distinct categories. For convenience's sake they can be labeled "A" and "B".

"A" costs are all payments that a factory makes to *individuals*, such as wages, salaries and dividends.

"B" costs are all payments made to *other organizations* for such things as raw materials, machinery, maintenance of plant, bank charges and other external charges.

It will be observed that the *only money distributed direct to consumers* comes under the heading of "A" costs, consisting of the money which is paid out in the form of wages and salaries (dividends later) during the course of production. But when the finished article appears on the market the price of it must include not only the producer's "A" costs but his "B" costs as well, consisting of all payments to other organizations, bank charges, etc. This fact is indisputable because a producer in order to stay in the business must at least recover *all* of his costs in prices. Now, if the amount of money received *directly* by the consumer is only equivalent to the amount of the producer's "A" costs, and yet the price of the finished article includes the producer's "B" costs as well, how is it possible for the consumer to pay a price, the money equivalent of which he does not possess? In other words, no juggling of mathematical formulae will enable a sum of money equaling "A" to buy an article whose price is a compound of "A" + "B". Therefore the amount of money representing Industry's "B" costs is the amount of purchasing power that the community is out of pocket relative to an article priced at "A" + "B".

Here such objections will be raised as "Isn't the money expended by the Producer on his "B" costs just as effective purchasing power in the hands of those who receive it as that distributed directly through the medium of wages and salaries?" "Doesn't even a banker have to eat and a wholesaler wear shoes?" "Aren't the men, paid for the original installation of plant and its subsequent maintenance, consumers like every one else?"

The answer to the last two questions is obvious, but the answer to the first is "No" because of the *time element involved*. It is true that the producer's "B" costs such as payments to other organizations for raw materials, light, heat, power costs, etc., become "A" money or purchasing power at sometime or another. But it is in the meaning behind the words, *sometime or another*, that we find the reason why this money is not available for consumption goods *at the right time*. These "B" payments may be made at a period quite irrelevant to the production cycle for which they were issued. Money distributed in respect of raw materials or plant charges will be largely spent by the time the finished product appears on the market, and being spent, it will have returned, as all money does, to the banks for destruction. This leaves a fresh supply of goods to be bought, while the money which should be available to buy them with has been canceled out of existence. Of course the money so received through "B" payments has been able to claim a certain amount of goods produced in an earlier cycle, but the story is the same because the price of any article must include total costs of production, and only the amount of money equivalent to the producer's "A" costs is available to meet it. The fact that a portion of Industry's "B" payments becomes "A" payments, capable of claiming goods and services sooner or later, does not alter the situation because *at any given time* "A" is "A" and "B" is "B", and as payments to consumers are *always lagging behind prices*, the circle is a vicious one.

Increasing Heaviness Of "B" Costs Compared To "A" Costs

In the days of hand labor the costs of an article, represented in its price, were almost all distributed in the form of wages, and no problem of recovering capital costs in price existed. To-day in a progressive industrial era this problem becomes increasingly menacing. Every improvement in the plant of Industry that displaces hand labor adds to the producer's "B" costs, while diminishing his "A" costs, with the effect that less and less money is distributed in the form of wages and salaries. Thus the disparity between purchasing power and price must become increasingly larger if Industry continues to avail itself of the improved processes of Science.

What Has Kept The System Going At All?

It may well be asked at this point why, if the above statements are true, hasn't the present financial and economic structure collapsed long ago? Why have we only recently begun to discern its effects? There have been three main props bolstering up the present system, and keeping the fact that it has been tottering, for a considerable time, if not hidden at least out of plain sight. These are, namely, the further creation of bank loans, wholesale sabotage and the development of foreign markets.

Further Bank Loans

When a producer is unable to recover his costs through price, he has not the wherewithal to repay his bank loan, and it is necessary for him to take a further loan in order to liquidate the previous one. The producer must then endeavor to recover this money during the next cycle of production, and to do so is forced to manufacture new articles, hoping that the money he distributes in wages and salaries will be sufficient to buy them. As, under existing circumstances, this is not possible, it simply means that new goods must be manufactured (what is called overproduction to-day) to keep the process going, while a large portion of goods produced in the previous cycle remain unsold. The result is, of course, that the producer must take more and larger loans from the bank. His only hope is to go on producing, and yet the more he produces the more inextricably he involves himself in debt. This procedure might go on indefinitely as long as the banker is willing to lend, but there comes a time when he no longer finds such a policy expedient. The banker is forced to recall his loans, and the producer's business goes in lieu of payment. There is no other way, and so, slowly but inevitably the financial system gets, not only control, but possession of Industry.

Sabotage And Restricted Supply

Wholesale sabotage of plant, machinery and consumable goods is another prop to the present system. Dumping coffee into the sea, burning acres of wheat and slaughtering thousands of steers and pigs has its advantages in raising prices. Restricting the supply of wheat and cotton crops by the method of subsidy enables the producer to fetch a higher price for his commodity. Yet there are millions of people who desperately need the potential food and clothing that are deliberately being destroyed.

The Outlet Of Foreign Markets

The third method of supplementing our inadequate purchasing power has been through foreign trade. By this is not meant the exchange of goods for goods but the exchange of goods for money. Under the present system we send our surplus goods out of the country and receive money in return. This is the basis on which foreign trade is operated now. In order to maintain what we call a "favorable balance of trade" we actually supply other countries with the money necessary to buy our own goods. As we know only too well this money is often as good as thrown away. To-day, with the frenzied international competition for dwindling markets, this method of attempting to recover abroad the money that does not exist as purchasing power at home, has become not only useless as a palliative but is also a very grave menace. In the world as it now is, this struggle is a struggle to the death. It leads directly and inevitably to war.

Production during the last war serves as a further example of the means by which the disparity between production and consumption can be lessened. Because the plant of industry was tremendously expanded and was engaged in producing non-consumable goods, as far as the community was concerned, the greater amount of payments distributed during the process, were available as purchasing power to individuals.

To make this clearer—the community, as such, did not have any need of bombs, shells, guns, airplanes, etc., and yet they were receiving money during the course of their production—money that could be applied to *consumable* goods produced in the same period—and the more ammunition that was blown up and the more airplanes that crashed the more money flowed into the pockets of the consumers. The State, of course, had to pay the bill—and to do so borrowed the money from the banks. Unfortunately, we have been paying ever since and shall continue to pay for the temporary economic peace experienced in war time. Under the existing system the sequel is— that peace is economic war.

Chapter IV

The National Credit Account

Financial Credit

Financial Credit, it will be remembered, is the wealth of the country estimated in money, while *Real Credit* is the wealth of the country based on its ability to produce and deliver goods and services.

“Financial Credit that should be and was designed to be the handmaid of Real Credit and only exists at all because of Real Credit, is the monopoly of comparatively few individuals, scarcely more than one in 100,000 of the population. By ‘cornering money’ and by requiring that no Real Credit shall be employed save in so far as it's employment ‘makes money,’ furthermore, by controlling the distribution of Money among producers and consumers alike, they are actually able to control, and they do, in fact, control, the whole of Real Credit, which, we have seen, is a communal creation and possession.” *

**Credit-Power and Democracy*, by C. H. Douglas and A. R. Orage, p. 166.

The Evil Of Capitalism

The evil of Capitalism is not, as the Socialists contend, due to private ownership of Industry. Nationalization would only achieve a transference of its administrative functions and its physical property. It would not affect policy—for whoever controls credit controls policy, and with it, power, over and above the heads of government. If the power to monopolize the creation of credit were removed from private hands (banks trading in money for profit) along with the corollary right of fixing prices, the evil of Capitalism would disappear.

Bankers As Individuals

This criticism is not directed at bankers individually. They are in general honest, capable men—not villains nefariously scheming the downfall of civilization. Many of them are victims to-day of the inherent flaws in the financial system, and are in the same boat of insecurity with the rest of us. Therefore, it must be clearly understood that Social Credit's quarrel is not with bankers *per se*, nor yet with the creation of money, but with *the monopoly of its creation* exercised at present by the banks.

Real Democracy

“Democracy is frequently and falsely defined as the rule of the majority . . . the *rule* of the majority never has existed. . . . Real democracy is something different, and is the expression of the policy of the majority, and, so far as that policy is concerned with economics, is the freedom of an increasing majority of individuals to make use of the facilities provided for them, in the first place, by a number of persons who will always be, as they have always been, in the minority.” *

**Credit-Power and Democracy*, by C. H. Douglas and A. R. Orage, pp. 7-8.

Government Control Of Money Is A Constitutional Right

In order that the majority may be in a position to express their policy, it is necessary for us to control our own credit. To such an end Social Credit proposes that this control be *restored* to the Government, to whom it rightfully belongs. The Constitution of the United States provides that “Congress shall have power to coin money, and regulate the value thereof.”

Gold Again

Another word about gold. It has been pointed out by Mr. Arthur Kitson and others that “the credit structure based on gold bears no conceivable relation in quantity to any human requirement for goods and services—gold production exercises a totally disproportionate effect on the mechanism of prices and credits.” *

* Adapted from *Credit-Power and Democracy*, by C. H. Douglas and A. R. Orage p. 104.

The *real* credit or wealth of any nation we cannot repeat too often is that nation's ability to produce and deliver goods (including services) as, when, and where required. Financial credit should be so controlled

and issued as to be a true reflection of this wealth.

Disparity Between Productive And Consumptive Capacity

To-day, as every one knows, our productive plants are only operating at a fraction of their capacity, and still are producing goods that cannot be claimed by the amount of purchasing power available to the consumer. Taking an hypothetical example, let us suppose that productive capacity is equal to 100%, while consuming capacity is only equal to 40% of that amount (such a proportion is roughly true). This leaves a 60% disparity between *real* credit and *financial* credit. Thus the Government, acting through the Treasury, should be empowered to monetize any or all of this 60%. By so doing it would simply be issuing money in the scientific relation that Total National Consumption bears to Total National Production—this money being based on the estimate of the country's actual and potential *real* wealth. For this purpose a National Credit Account should be set up. Such a proposal would seem, even if desirable, to be a complicated if not impossible task, but in reality many of the necessary statistics are already in existence.

Real Wealth Of The Country

First, it will be expedient to examine some of the concrete facts of the country's wealth, against which we propose to issue our national money. America today is certainly the possessor of more real credit than in the times when the Indians roamed over an uncivilized, and almost uninhabited country, living in tepees and wearing skins and feathers. The increase in our real credit can be measured by the difference between that time and the present. Industrial progress has been the largest contributing factor to our increased wealth—witness our means of transportation and communication by land, sea and air—our industrial plant of a billion horse power efficiency—our scientific discoveries, methods of organization, cooperation, etc.

As a specific example let us take a factory—a factory that is producing goods, which the consumer wishes to buy, is definitely one of the Nation's assets. As such, the Nation is entitled to the amount of financial credit by which this factory has actually added to her *real* wealth. Under the present system, because all costs must be recovered in prices, the community is charged not only for the actual cost of the factory's product but for a part of the initial construction of plant, including a part of its subsequent maintenance as well. That is as it should be, for the producer could not continue to produce unless all costs were paid for through prices. It is, however, wrong, when all costs have been paid, and the factory is working for the benefit of the Nation that the Nation should not possess the corresponding financial equivalent of the real wealth which its resources have been responsible for creating. "In short, although the erection of the factory has definitely increased the Real Wealth of the nation, the fact literally has not been 'accounted for'. Until it is accounted for, and until every increase in the nation's Real Credit is accompanied by a corresponding increase in the nation's financial credit, our money will remain what it is to-day—a grotesquely distorted and wholly insufficient measure of our wealth." *

**Economic Nationalism, by Maurice Colbourne, p. 244.*

The plant of factories and their potential capacity for production are by no means our only wealth. Land, roads, bridges, buildings, means of transportation (*i.e.*, railways, aviation, shipping), water schemes, minerals, semi-manufactured materials, etc., are all capital assets. At present, because they have been constructed largely through bank loans granted either to the Government or to Industry, they represent debts to the Banking System. This is so in spite of the fact that the consumer has already paid for them in the price charged by Industry which includes capital costs as well as direct manufacturing costs.

In addition Social Credit recognizes the value of *human assets*—all our *capital assets* are powerless and without meaning if the human element is not taken into consideration. They are devised by man for the satisfaction of man and without him would have no existence.

In other words *all of those things* which definitely represent the assets of a civilized nation should be regarded as its real wealth, and the Government could therefore issue money on this basis of wealth in such proportion as it sees fit. This will enable the nation, as a whole, to have access to the wealth which its resources have made possible.

The National Credit Account

“The administration of the National Credit Account would be the duty of the National Credit Authority, consisting of a non-political commission comparable in authority in the realm of business to the Supreme Court in law. The members of this commission would be appointed by the President, by and with the consent of the Senate.” *

**From Debt to Prosperity, by J. Crate Larkin, p. 43.*

Their job would consist of ascertaining and then estimating the Country’s real wealth in both capital and vital assets, keeping a careful account of all appreciation and depreciation within a stated accounting period. This process of accounting is far less difficult than would appear at first sight. Many of the needed statistics have been compiled, and exist in Manufacturer’s balance sheets, Land Registration offices, Insurance Companies, Government lists of expenditures, Labor Board statistics, etc.

Just as the State to-day has efficient methods of recording the census, births, deaths, income taxes, the number of employed and unemployed, accidents, suicides, patents and innumerable other things, so it can either from available statistics, or where necessary, from the compilation of new ones, record and put a monetary value on the nation’s real assets.

No Dictatorship Implied

The commission in control of the National Credit Account would have little opportunity for exercising dictatorial powers, because the system, if put into effect, would become almost scientifically automatic. The keeping of the nation’s wealth account would naturally be subject to investigation and checking as the State’s budgetary expenditures are to-day, only in a more public way.

No Expropriation

To place a valuation on the capital assets of the country would not require *any* expropriation whatsoever. Neither would it imply Government interference with Industry. Administration is a job for experts, and as now, would be left under private control, for the psychological effect of competition in Industry provides the inducement and stimulation conducive to the greatest effort.

As long as we are receiving the goods and services we want, it is a matter of indifference to us who runs the factories, provided they are run efficiently. Precedent has shown that this is more likely to occur when the administrative functions of Industry are not tampered with.

Banks To Continue

It must not be thought from the foregoing that banks are to be done away with. Quite the contrary. Although, their at present exclusive monopoly of credit will be destroyed, and with it the power that Finance exercises over Industry and the consumer alike, they will continue as business organizations. In the capacity of repositories of people’s money, of the bookkeeping necessary to the daily usage of checks, of handling or investing money for customers, they perform a valuable and essential function. They will, of course, make their profits through charges for services rendered.

There is also no reason why they should not lend at interest their subscribed capital or reserve funds, or even create loans to Industry, if willing borrowers could be found, once the National Credit Account had been put into operation. Undoubtedly there would be such cases where new enterprises were concerned or where a producer, seeing prosperity ahead, would borrow the necessary money to liquidate his former debt, expecting to recover the money in a more favorable cycle of production. But, as time went on, and producers cleared their debts by collecting their full costs in prices, there would be little incentive for them to risk getting into debt again.

Additional Functions Of Banks

The banks, however, would have plenty to do, because the Government would transact many of the duties of the National Credit Account through the banking system. The bankers themselves, as expert statisticians and bookkeepers, would be invaluable in the capacity of advisers to the Government.

The banking institution, as it stands to-day, is a marvelously intricate and efficient organization. There is

every reason to retain its machinery, and any changes that might be made for its administrative improvement would come gradually.

Reasons For Having Government Regulation Of Money

“No proposals for the future regulation of the National Money issues can therefore be expected to achieve any substantial improvement in the nation’s material well-being that do not allow for either, (a) additional money becoming available to consumers without passing first through the usual channels of industry, or, (b) sale to consumers at a price that does not necessarily include every financial cost of production.” *

**This Age of Plenty, by C Marshall Hattersley, pp. 202-203.*

Chapter V

The Retail Discount

The retail discount is a device proposed by Social Credit to insure the sale of goods to consumers at a price that does not include every financial cost of production—as stated in the second part of the last quotation. The ultimate price to the consumer is known as the “Just Price”.

People accustomed to thinking that only higher prices and higher wages can bring back prosperity will be shocked at the suggestion of selling articles below their financial cost. But Social Credit submits the proposition that the *financial* cost is not necessarily the *real* cost of production. As has been pointed out earlier there is a distinct difference between *financial* wealth and *real* wealth. A comparable difference exists between the costs of production. The “Just Price” is measured by the *real* cost of production.

The Real Cost Of Production

The *real* cost of production is consumption. To give an example on a particular scale—the real cost of an article is the total amount of energy and materials consumed during the process of its manufacture. If we consider the making of any object, a piano, for instance—the destruction of timber, the wear and tear of tools and machinery, the food, clothing and shelter used up by those engaged in its production, are the physical costs attached to its manufacture. The totality of these physical costs, or all those goods and services *consumed* during the construction of a piano, constitute its *real* cost. So, viewing the situation as a whole, the real cost of *total* production is the cost of *total* physical consumption over any given period of time.

The Financial Cost Of Production

To-day, the prices charged by industry include as has been explained in detail in an earlier chapter not only production's *real* cost, but its *financial* cost as well. If, on the other hand, the consumer were only charged for the real costs he would have sufficient purchasing power to claim the product of industry, because these are the current costs that have been distributed in the community as wages. Likewise the producer would be able to sell his goods. In order to make this possible the difference between the financial cost and the real cost of production will have to be met from another source. And it is proposed that our national money, based on our real wealth, should be drawn upon for such a purpose.

The Just Price

The “Just Price,” as above stated, is the term applied by Social Credit to the price of an article that represents only the *real* cost of production. It is this price that consumers would pay for goods sold at retail. The “just price” of an article should be so calculated as to bear the *same relation* to its financial cost as Total National Consumption (which includes all depreciation of capital wealth and exports) bears to Total National Production (which includes all appreciation of capital wealth and imports).

As the ratio which production bears to consumption, as defined before, is at present, roughly 4 to 1, the just price of an article, calculated on this basis, would be only 25% of its present price. However, it would seem inexpedient to make so steep a change all at once—and Social Credit proposes the more conservative figure of 75% for the initial “just price.” Gradually this figure would be changed to reflect accurately the exact ratio existing at any given time. *

*A national Social Credit Bill has been drawn up by The New Economics Group of New York, which explains this more fully. The text of the bill has been printed in *The New English Weekly* and *New Democracy*.

The Way The Just Price Would Be Applied

All goods for direct consumption would therefore be sold at a 25% discount from present prices which include the total costs of production. It must be mentioned here that this discount will only apply to goods that are actually to be consumed, not to intermediate goods that are to be used for further production. It is absolutely essential that the discount, to be effective, should be applied *only after* the price of an article has

accumulated every cost attached to its production. More succinctly, it is at the retail counter that the discount is dispensed.

Retailer Not Out Of Pocket

As a practical example—any consumer buying a pair of shoes priced at \$4, a railroad ticket priced at \$40, or an automobile priced at \$4,000 will pay respectively \$3, \$30 and \$3,000. Obviously this will leave the retailer out of pocket one-fourth of the price of every article that he sells.

Social Credit proposes that the retailer be reimbursed, through the authority administering the National Credit Account for the money he loses on such a discount.

How This Can Be Done

Just as to-day, sales slips are made out in every big store, the retailer would record every sale with the stated discount of that period, and turn the vouchers into his bank. The bank would credit his account with the corresponding amount, and the bank, in turn, would be reimbursed through the National Credit Authority.

Any retailer falsifying his vouchers would be liable to the forfeiture of the right to dispense the discount and would consequently be at a competitive disadvantage with retailers exercising this right.

If the mechanical execution of such a proposition sounds a difficult task, consider for a moment the co-operative stores—which not only keep records of every sale, but mark these down in the individual accounts of their customers, distribute discounts on such sales, and subsequently dividends, based on the relation between the amount of goods purchased and the number of customers in the considered organization. This process runs smoothly and efficiently and yet, by comparison, is subject to more complications than the method Social Credit proposes for reimbursing the retailer.

The Producer's Choice

To put the foregoing proposal into effect would not imply the elimination of competition in Industry—there would be no *fixing* of prices. Taking a fair price level as a basis (not a level conditioned by a period of either inflation or deflation) prices would vary as today according to the variety of commodity being sold. The retailer availing himself of the discount would obviously be able to undersell those who preferred not to make use of it.

The question of profits might conceivably ruin all the benefits to be derived from the application of the “just price.” What is to prevent producers from raising their prices sky high and then using the discount purely to their own advantage? The answer is simply this—that producers wishing to avail themselves of the right to dispense the discount would have to agree to a fair but fixed profit on turnover. To put it another way, using an hypothetical illustration—a producer will be offered a proposition such as the following:—“If you will agree to continue to sell an article at \$20 instead of raising the price to \$25, by being eligible to dispense the discount you can offer that article to the consumer for \$15, the sum of \$5 being reimbursed to you through the National Credit Account. Now though in some instances profits on individual sales would be less than they are today, the fact that the producer is enabled to sell his articles below cost, assures him of a far greater number of sales. In this way his increased turnover would more than compensate for any decrease of profit on individual sales. If he rejects this offer and sells a portion of his goods at whatever price they will fetch, he runs the risk of having a large portion of his goods remaining for they will be in competition with goods benefiting by the discount. Here it must be observed that there is no compulsion involved. The producer makes his own choice.

Undertakings unable to show a profit after five years would no longer be eligible to dispense the account. This would be a necessary regulation because only the factories that are producing goods that are needed and wanted, are real wealth to the community. The community cannot afford to issue money or credit for the production of unwanted goods.

Just Price Would Not Apply To Intermediate Goods

Intermediate goods, such as capital plant and raw materials, not directly consumable, could not be bought at the retail discount applicable to retail goods. Though plant and machinery are actually *capital* wealth, they are not commodities with which the consumer in general is concerned—they are, in fact, the tools that make possible the production of consumable wealth. Their costs, as all costs, must be accounted for in the price of the article that they have assisted to produce, as the discount is only applicable when all costs have been met, namely, at the retail counter. If the discount were permitted on intermediate capital equipment and again at the retail counter, we would be estimating our *real* wealth twice over.

In the use of raw materials, designated for further production, the case is similar. Coal, for instance, utilized for direct consumption, would of course be sold at the retail discount price, but industrial coal employed for transport or power or machinery, is again an intermediate product, only serving in the creation of further and ultimate goods. As in the instance of capital plant, raw materials would be subject to the discount only when they have become part of the costs of the consumable goods sold over the retail counter which they have helped to create.

Variability Of The Just Price

The “just price” would vary with the fluctuating relationship between Total National Consumption and Total National Production. If at any time in the future all direct consumption, plus depreciation of capital wealth, plus exports, over a stated period, exactly equaled all production, plus appreciation of capital wealth, plus imports, there would be no need for the discount. The economic goal of equating consumption to production would have been attained.

But the disparity between consuming power and productive capacity is to-day so great that such a millennium seems a very long way off. Until we reach it, if we ever do, the “just price” will vary directly with consumption and inversely with production, that is—if, due to lowered prices, there is an increase in consumption unaccompanied by a corresponding increase in production, prices will automatically rise—and the discount for that period will be decreased. If, on the other hand, production keeps well ahead of consumption, prices will automatically be lowered, through the increasing of the retail discount.

The “just price” would be calculated from statistics ascertained in a previous accounting period, and would be published at stated intervals, say every three months, or half yearly, although it is obvious that any “retail discount rate” which did not produce an actual sales priority problem, would be practically satisfactory.

By this statement the man in the street could gain an accurate knowledge of the degree of his country’s prosperity. If prices were higher he would know that the wealth of the nation had not increased during any given period in the proportion that it had been decreased through consumption, and vice versa.

Inflation

“Inflation cannot result from an issue of money which is itself the result of *low* prices.” *

* *Economic Nationalism*, by Maurice Colbourne, p: 262.

As the new money created by the National Credit Account is only *issued after* prices have been lowered through the retail discount, it could not conceivably be accompanied by the only attendant evil of an inflation of money, namely, a simultaneous rise in the price level. It will be remembered that this new money is also only issued at the *actual point of sale*. In other words, not until, say, a pair of shoes is bought, is a single penny of credit distributed. To-day the banks create credit to the manufacturer, who hopes to produce what he hopes the consumer will want to buy, and this results in the dilution of the community’s purchasing power.

The retail discount, being dispensed only at the moment of sale, has no inflationary effect on prices, — on the contrary—the consumer benefits by the lowered price of shoes, and the producer benefits through a reorder on the shoes sold.

For the reassurance of those who may fear an inflation of money, even when it is unaccompanied by a

rise in prices, I shall quote the following succinct statement:

“Every penny issued on behalf of the national discount would be DEBITED against the sum standing to the national credit in the national account.” *

** Economic Nationalism, by Maurice Colbourne, p: 262.*

The means for the retirement of this credit, together with the retirement of the money distributed in the form of the National Dividend, in the event that such a measure should be deemed necessary or advisable, will be discussed in the next chapter.

The Export Trade

In an earlier section exports were included together with the depreciation of all capital wealth under the head of Total National Consumption. As the subject of exports has world-wide implications, it has been left for the end of the chapter.

In terms of current economic thinking “a favorable balance of trade” is maintained when a country’s exports exceed its imports. From the Social Credit viewpoint, this condition constitutes an “unfavorable balance of trade.”

As all consumable goods and raw materials potentially capable of being transformed into ultimate commodities are part of a nation’s wealth, how can a nation expect to become richer by shipping them out of the country? More especially, when it is considered that there is a very real demand for these things in the home market which must go unsatisfied.

Of course our export trade is a wholesale trade, so the question of applying the retail discount to exports does not enter into consideration, because as explained above, the discount is only applicable to sales direct to consumers. Therefore, exports would be sold, as now, for whatever price they might fetch.

Imports when they are finally sold to the consumer would have the benefit of the retail discount, just as if, in fact, they had been produced in our own country. Imports, like domestic products, add to the real wealth of the nation by providing it with commodities, in this case, with commodities which happen not to be available in the domestic market.

Economic Nationalism Versus The Present Favorable Balance Of Trade

From the above it is not intended to imply that a country adopting Social Credit would shut itself up in a box and have no dealings with other countries. This, even were it desirable, would obviously be an impossibility. Though America is 98% self-sufficient, other countries like Great Britain, for instance, are dependent on imports for food, and in all probability will continue to be so. Social Credit does not propose to abolish foreign trade, but instead to substitute a peaceable exchange of *surplus* products between nations. There is, however, a vital difference between such complementary exchange of *surplus* goods and the fiendish competition for foreign markets at all costs, which is being carried on in the interests of money to-day. Nations, or rather their financial dictators, are in such a frenzy to export more than they import, that they are blinded to the consequences. England, for instance, equips Japan with perfected textile machinery and then appears to be horrified when Lancashire must sit back while the Japanese flood markets that she has always looked upon as hers.

An excerpt from the *New York Journal* of April 26th reads: “A *new source of irritation* (my own italics) between Britain and Japan has developed. Not content with ousting British cotton from the Indian market, the Japanese now are flooding the peninsula with their own beer and killing the century- old most profitable trade of British breweries.”

The *New English Weekly*, April 5th, 1934, in commenting on the temporary betterment of the Australian wool trade, due to the rapid development of the new Japanese woollen textile industry, says: “The Australian wool producers, in fact, have gained a little relief in exchange for supplying the tow for the rope with which Japan will hang Yorkshire, exactly as she hanged Lancashire. . . .”

These quotations are evidence enough of the insanity of those in control to-day, but without doubt the

most sinister of all forms of maintaining what is called “a favorable balance of trade,” is manifested by another quotation from the *New English Weekly* of March 22nd, 1934: “Mr. Mitcheson, the St. Pancras M. P., argued in favour of the export of armaments on the ground that other nations would not then build factories of their own and thus rob Englishmen of the work; and he is still at large. But his inability to distinguish between competing for work and competing for security is no worse than that of the chairman of Hawker Aircraft, Ltd., who recently boasted in public that his firm had sold more military aircraft to foreign countries than any other. While Lancashire arms the rest of the world to defeat Lancashire in the economic war, England arms the rest of the world to defeat England in the sequel.”

Surely it must be apparent that foreign trade of this variety does lead inevitably to war. If any observer will study impartially the fundamental reasons for all wars, so cleverly concealed by appeals to patriotism, excused by the belligerent nature of man, and trimmed off with flags and trumpets, he will find them to be basically economic.

True Economic Nationalism

The dispensation of the retail discount in the form of the “just price,” would obviate the present necessity for an outlet in foreign markets, by enabling the community at home to buy back the product of Industry. The primary objective of producers as a whole would be to satisfy the consumers of their own nation, instead of, as to-day, of every nation but their own. Necessary imports would be paid for by exports—in other words surpluses would be complementarily exchanged. Goods or raw materials exported, except in payment for imports, simply mean diminishing the wealth of the exporting nation. Under Social Credit it would be considered an extremely “unfavorable balance of trade” if a nation were exporting more wealth than it received through imports. As all diminishing of wealth, either through depreciation of capital equipment or loss (sending goods out of the country) reduces the totality of that country’s wealth, the discount on retail price would naturally decrease proportionately. On the other hand, the complementary exchange of surplus goods for the mutual benefit of nations, would remove the deadly incentive of war, and establish a *sane* balance of trade. This is what Social Creditors call *True Economic Nationalism*.

Chapter VI

The National Dividend

Dividends Direct To Consumers

Social Credit's second proposal for distributing the money based on our real wealth is through the National Dividend. This dividend would not pass through the channels of industry, as wages do at present, but would be issued directly to the consumer, whether or not he were employed.

The proposition that money should actually be given to people whether they work for it or not, needs careful examination.

The Permanence Of Unemployment

Probably the most important reason for distributing purchasing power outside of industrial channels is afforded by what is called the problem of unemployment. Under the present system unemployment is attended by the evils of poverty and misery, and the denial of any permanent security even to those who happen to be employed. This is the real reason that Governments all over the world are attempting to solve the question of unemployment, not because additional workers are necessary for the purpose of production.

But what is the result of all the effort that is being expended in the solution of the so-called unemployment problem? The measures, under their many initialed captions, that are being practiced now by our country, provide a form of temporary relief. A certain amount of money is put into the hands of the consumer, but this is at the expense of increasing debt. The evil is hidden in part by the device of the so-called emergency budget, which, for the present, does not enter into taxation.

Much has been said and written about technological unemployment. It is an obvious fact that the mechanized processes of industry are displacing man labor, and the more these processes become perfected, the greater will be the displacement of man by the machine.

At the beginning of the Industrial Revolution, and up through the first two decades of this century, industrial development provided more manual labor than its invention dispensed with. Men could always be employed to make more machines, but in doing so they were paving the way to a day when the machine, full-fledged and largely self-operative, could get along without them.

There are many to-day who assert in convincing tones that there will always be new fields of industry and invention to reabsorb those thrown out of employment. The tremendous development of the aviation and the radio industries are pointed out as two outstanding examples in the last decade. But this process has its limits. Eventually every new invention of science and every improvement in existing process implies that men as workers are becoming more obsolete.

A large majority of people think that the situation would take care of itself if we were living in normal times. Their argument is that if productive plants were running at something like capacity and consumers were able to buy, many more people would be employed in the production, distribution and sale of the new goods. In other words they attribute unemployment to the depression. However, unemployment is a fact that is with us even in times of industrial activity. The following quotation is both interesting and significant as it deals with a period in America of unprecedented prosperity.

“1. According to the U. S. Department of Labor, *the drop in the number of factory workers in the U. S. between April 1923 and April 1928 was approximately 1,250,000 persons.*

2. The *New York Times* published the following index figures compiled by Mr. Evans Clark:

	Factory Employees	Production	
1914	100		100
1919	129		147
1924	116		158
1927	115		170

3. According to the U. S. Department of Commerce, the number of workers has declined as follows:

	1919	1925	Decline
Agriculture	11,300,000	10,700,000	600,000
Manufactories	10,670,000	9,770,000	900,000
Railways	2,035,000	1,860,000	175,000
Mines.....	1,050,000	1,050,000	
	25,055,000	23,380,000	675,000

(The decline for 1929 registered over 2,000,000, but that year touches the beginning of America’s depression, and we are expressly avoiding that for the reason that it is unnecessary for the proof of our case.)

4. According to the Report of the U. S. Committee on Recent Economic Changes, the relation between the total output and the total number of workers employed in the same four major industries—agriculture, manufactories, railways, and mines—in the U. S. was as follows:

During the period 1900 to 1920—

Output increased 70 per cent., and the number of workers increased 40 per cent.

And during the period 1920 to 1929—

Output increased 25 per cent., but the number of workers **DECREASED** more than 7 per cent.” *

*Reprinted from pp. 213-214 of *Economic Nationalism*, by Maurice Colbourne, with the author’s kind permission.

Industrial Civilization And Unemployment

We have before us two choices. If we agree that “employment” for its own sake is necessary we can always scrap our capital equipment to return to individual production, which would mean more exactly returning to the level of primitive man. If, on the other hand, we are agreed that science and its inventions are evidence of progress and as such are desirable, we must meet the fact that “unemployment” is inherent in a highly industrialized civilization.

It is futile to attempt to correlate employment with our present industrial equipment. The inconsistency of alternating the invention of “labor-saving” devices with the “manufacturing” of work will not bear examination. There are those who have come to think that the purpose of an industrial system is to provide employment. This, at best, could never be more than a side purpose, for the primary objective of industry is the production of goods. If Industry’s objective is more efficiently carried out by the use of machinery than by the use of man power, then we must expect a progressive increase in unemployment.

Is Unemployment A Disease Or A Symptom Of Health?

Considering the question in the light of the way it is being treated to-day, unemployment would seem to be a very grave disease that must be cured at all costs. From the Social Credit viewpoint, it is quite the

contrary—a very decided symptom of health. If our Nation is capable of producing in abundance all those things which we need and desire, through its industrial equipment, with less and less effort on the part of man, we are clearly getting nearer the day of increased freedom from manual work. Present unemployment is a lap on the way, and is in itself, apart from its ugly associations, far from being an evil. The only difference between leisure and unemployment is that one is paid and the other is not.

The Distribution Of The National Dividend

Social Credit proposes to turn unemployment into leisure by the distribution of the National Dividend.

It is obvious that the discount on retail price would not benefit those who had no money at all, and the necessity for some direct payment to the increasing number of individuals for whom there literally is no work, becomes apparent.

This national dividend would be based on a very small fraction of the estimated real wealth of a country (its natural resources, factories man power, etc.) and at a conservative figure this might amount, roughly, to \$300 a year per person. From time to time the dividend could be increased, of course, within the limits of our productive capacity. It would be issued to every American citizen, whether he were employed or not. Why those with money and those without it, rich and poor alike, are equally entitled to such a dividend will presently be seen, but first let us answer the question which will undoubtedly occur at this point. The National Dividend has none of the implications of the British “dole”.

The “dole” is paid only to the man who is unemployed, and ceases as soon as he obtains work. This amounts to penalizing him for contributing to national production, and by doing so, the State is providing him with an incentive to remain unemployed. This, in itself, is an inconsistent procedure, but the situation becomes still more curious when one considers where the funds are “doled” out come from. Those who have been successful under the present system are required to support those for whom the system has failed—in short, the successful must pay through taxation, just to the extent that the existing system has worked for them.

National Dividends Not Financed By Taxation

This dividend, distributed direct to consumers, will not be paid for through taxation. It will be financed by the same method as the “just price,” namely, through the National Credit Account. Distributed at stated intervals in check form, through the banks, every citizen will be eligible to a definite sum of purchasing power. As this *new* money is issued in conjunction with the discount on retail prices the total amount cannot produce the inflationary effect of raising the price level.

At the present time, according to statistics, the financing of the National Dividend would require the monetization of only an exceedingly small percentage of the amount or real wealth which stands to our credit. The totality of the money expended for the National Dividend and the Retail Discount will at no time exceed the country’s income, because the amount of the National Dividend issued during any period will always appear as consumption in determining the retail discount for the next period.

Retirement Of New Money

Should a time ever come when our debt-burdened country reaches a degree of opulence that would necessitate the retirement of this new money, efficient machinery for this purpose is at hand. There is nothing to prevent the Government from cancelling credit out of existence, as is done by the banks to-day, the only difference being that the Government’s cancellation of credit would be in accordance with the needs of the community, instead of in the interests of the private owners of the credit. There are many ways by which this could be put into effect. Probably the simplest and most practical method would be the imposition of a universal sales tax, which might take the form of a reversed retail discount, by adding to the cost of an article instead of deducting from its price. This taxation, however, would only be expedient if, at any time in the far future, a day came when consumption had caught up with productive capacity, and there were more than the required number of tickets in existence.

Our Cultural Inheritance

While many agree that it is becoming increasingly necessary to support those individuals to whom no

way of earning money, through work, is open, they will in all probability be startled at the Social Credit proposal that the National Dividend should be distributed to poor and rich alike. For this, however, there is both practical and moral justification.

We have come to consider Industrial Production as compounded of three factors—Capital, Labor and Land. There is a fourth factor which is equally, if not more significant, namely, **OUR COMMON CULTURAL INHERITANCE**. “This term comprises the vast heritage of discovery and invention, of culture and learning, of organization whether social, political or industrial, of education and religion, of aspirations and ideals which have been handed down and developed by generation after generation from the dim beginnings of the race. Collectively these form the Common Cultural Inheritance of humanity, or more shortly, Civilization.” *

**This Age of Plenty, by C. Marshall Hattersley, p. 232.*

What Labor can accomplish without Capital is relatively little, and Capital without Labor is actually powerless. These considered together, but excluding our Common Cultural Inheritance, are practically impotent.

Both Labor and Capital are subject to private ownership, but our cultural inheritance is a communal possession. Who, for instance, has the right to claim an idea, conceived originally by someone, long since dead, whose name is now forgotten? From such origins the inventions of civilization in their manifold forms are developed and handed down. The legacy belongs to the whole community in the way that inventions do when their patents expire. It is not subject to the appropriation of the individual. “They are no more the owners of it than a stenographer who types a scientific treatise on a typewriter can be said to be the owner of the scientific treatise.” *

**From The Evolution of Finance, a lecture delivered by Major C. H. Douglas on April 23, 1934 in New York.*

Through cooperation and organization applied to real capital, an unearned increment of production is obtained. This increment, which has been made possible by our cultural inheritance, is a major feature of the machine age, and belongs equally to every member of the community. The distribution of old-age pensions serves as an example on a small scale of the recognition of human beings, not as workers, but as members of the community. If you reduce the age limit enough, you have the National Dividend.

Perhaps such an idea would be more clearly comprehended by considering our country as a great Corporation, bearing the title of the U. S. A. Inc., and every citizen in it an equal shareholder for life in the Corporation’s dividends, based on the increment of production that has accrued in the past. No one is receiving the money equivalent of this increment for present work done, but because, be he producer or consumer, he is an heir to our common cultural inheritance. If the community as a whole, however, lets its inheritance lie fallow, there will be no more dividends to the country’s shareholders.

“The National Dividend, then, is not ‘something for nothing.’ Rather it is the interest on the capital which the race has accumulated for itself, since it became conscious of itself, and this interest is payable for as long as we cherish our inheritance and keep it bright.” *

Economic Nationalism, by Maurice Colbourne, p. 278.

Continuance Of Dividend And Discount Dependent On Work

Any reader up to this point may nod his head and say: “Now I’ve got the idea—Social Credit is paving the way to a loafer’s paradise.”

This, however, would be a mistaken guess, because the continuation of the dividend and the retail discount are still dependent on labor, though not to anything like the degree where nearly all available hands are needed. As the hands necessary to the guidance and manipulation of the machine become increasingly fewer “the distribution of cash credits shall be progressively less dependent upon employment. That is to say, that the dividend shall progressively displace the wage and salary.” *

** Major C. H. Douglas.*

For the present, though, unless the human labor required by Industry, to help the machine provide us with those things we need and want, is forthcoming, our real wealth would naturally diminish. This would be only too clearly reflected in the decrease in the Retail Discount and the National Dividend—it might even mean their discontinuance.

It is evident that a sum of roughly \$300 a year, per person, even with the added purchasing power derived from the “just price” would not keep its recipient in luxury. Under a Social Credit system there would undoubtedly be some who would squander their birthright in loafing, drink and debauchery, as there are under the present system. To-day, however, these people are public charges—we have to pay for their maintenance. Social Credit does not hope to change human nature. There would still be “public charges,” only they will not be supported at our expense but out of their own dividend.

Initiative and the competitive spirit die hard in man. If Dick Smith is content to see Harry Jones the possessor of a radio and an automobile while he and his family are living on the bare necessities of life—let him loaf. There will be many more Dick Smiths who will prefer to spend some of their leisure time in earning money that will supplement their dividend, and incidentally make, not only necessities but luxuries possible.

A very important psychological factor would be the freedom from compulsory work. Less and less would individuals be forced into occupations for which they had no ability or inclination. An artist, for instance, would not be driven by economic circumstances into becoming a bank clerk. If he cared enough for his art he could at least live on his dividend, supplemented by the benefit afforded by the “just price,” until he were in a position, if he wanted to and were able, to sell his pictures. This would be no loss to any one (an artist is not apt to make a good bank clerk, but there are plenty of others suited to the position) and a great gain to the artist himself because he would be fulfilling the work for which he was best fitted by temperament and inclination. No offer of work which cannot be declined is psychologically healthy to man.

The question may arise here: “What on earth are all these people going to do with their leisure time?” The answer is in the form of another question: “What do the 2% which constitute the so-called leisure class to-day do with their time?”

The important thing is that they are free to do what they choose. Some of them engage in creative or research work, some in the active field of business. Others spend their time in sports and play, and some just do nothing. But there are those who work harder for themselves than they would for the most exacting boss—these employ their leisure time in piling money on money.

Those who achieve results in the creative and research fields are adding to our inheritance, and those who indulge in play or loafing are harmless. The idle rich, in this sense, have never been a cause for fear and at least they reduce the unemployment problem. It is only the working rich, working for money and through it, for power, who have been a menace to the community as a whole. Under a Social Credit system this menace will be removed, for money will no longer mean power but will only be useful in claiming goods and services.

National Dividends Optional

Of course nobody would be compelled to accept a National Dividend. Many rich people to-day, to whom relatively such a dividend would only be a drop in the bucket, or millionaires who are known for their benevolence and generosity, might prefer to turn their share back into the common pool. But it must be remembered that poor and rich alike are equally entitled to our Common Cultural Inheritance.

Effect Of Dividend And Discount

The distribution of the National Dividend and the Retail Discount would simultaneously enable the consumer to purchase what he needs and wants, and the producer to sell his goods. The wheels of production, grown rusty from disuse, would be set actively in motion.

Because the consumer would not know until the end of any given period whether the dividend and discount would be increased or decreased in the next ensuing period, he would be tempted to spend while the spending was good. If, for any reason, he preferred to save his money, he could do so without injury to the community because the following discount rate would be increased by the amount of his savings.

The fact also, which cannot be too often repeated, is that when there is sufficient purchasing power at home, foreign trade becomes the complementary exchange of needed goods, and thus serves a useful purpose without bringing the nations into the competitive economic death grip that ends in war.

Chapter VII

Reduced Taxation Under Social Credit

If the principle of national money, the communal control of credit, is adopted, there is no reason that taxation should not be greatly reduced and entirely eliminated if so desired. There is an incongruity in having the Government give out money with one hand and take it back with the other. All Government expenses can be financed without borrowing, precisely as in the case of the retail discount and the national dividend. This will eliminate all need for taxes. If this does not seem desirable as an initial step, the adoption of the Social Credit program will afford immediate relief for the burden of taxation. 1. The enormous increase in the activity of industry and the volume of trade will reduce the percentage rate of taxation even if the total amount collected in taxes remained the same. 2. The absolute total of taxes could be greatly reduced, because the Government would at once be relieved of the expense of its so-called emergency functions necessary under the present regime. 3. A large part of our taxation to-day, such as graduated income and inheritance taxes, is for the specific purpose of effecting a redistribution of income and wealth. This would be unnecessary under the new proposals because Social Credit automatically distributes the current products of industry in such a way that the question of ownership of capital resources becomes incidental if not immaterial.

Many of our taxes to-day are not taxes at all properly speaking, but licenses for special privileges. These, of course, would be retained under Social Credit if it seemed in the communal interest to retain the special privilege.

Chapter VIII

Social Credit Contrasted With Other Economic Solutions

Economic Security Without Regimentation

There can be no doubt that a solution will be found for the world's present difficulties. This is rendered certain by the potentiality of abundance which has already been attained. President Roosevelt has said, "The millions who are in want will not stand by silently forever while the things to satisfy their needs are within easy reach."

Social Credit is unique not in achieving that material satisfaction but in accomplishing it without the sacrifice of individual freedom and without the disruption of our existing productive mechanism which has proved so efficient. In this way Social Credit is sharply distinguished from Communism on the one hand and Fascism on the other, which may be taken as types of the systems proposed for economic salvation.

We must not shut our eyes to the fact that either Communism or Fascism might be successful as far as material things go. Given the fact of plenty, it is entirely within the range of possibility for the Government to acquire the means of production and the natural resources of the nation, regiment the whole population to work them, and then distribute the proceeds.

The Dictatorship Involved In Fascism And Communism

The dictatorship necessarily involved in such procedure, which is abhorrent to Social Credit, is for Fascism an avowed end, a permanent principle. According to the words of Mussolini himself the foundation of Fascism is in its conception of the State as an absolute in comparison with which all individuals are relative and of significance only in their relation to the State, which is an embodied will to power and government, the Roman ideal of force in action. In short, Fascism means that for the sake of the possible successful functioning of the economic machine the people surrender all their political rights, all possi-

bilities of individual initiative, their very status as individuals.

Communism also involves dictatorship, avowedly the dictatorship of the proletariat, but nonetheless dictatorship. Of course suppression of the individual is not a principle of Marxism as it is of Fascism, but to the communist it is unquestionably an essential working means. This is pointed out clearly by Rosa Luxemburg, who as one of the greatest successors of Marx and a consistent revolutionary cannot be considered prejudiced against Communism. She inveighed bitterly against the arbitrary decrees, dictatorial force, draconic penalties and general repressive policies of the Soviet leadership in Russia. And even if such tactics could be condoned by the law of necessity in an undeveloped country like Russia they are inexcusable in a country like our United States where there is no lack in the productive mechanism. Furthermore, if we are to accept the Communist's own dictum that no one gives up power unless he is forced to do so, we can have little doubt that what was originally intended as an interim method would become a principle of permanent policy and we should be caught in the toils of a perpetual dictatorship which, however benevolent, would still be soul-destroying.

Freedom Of The Consumer Under Social Credit

In contrast to the principle of dictatorship manifested by both Communism and Fascism, Social Credit holds that we must build up from the individual, not down from the State. Accordingly it makes the consumer himself the director of industrial policy, with no committee above him to decide what he ought to like. Credit is issued through the consumer and he is thus for the first time in history made master, because he is given sufficient purchasing power to claim all the products of industry. This is the only way that the individual can be given absolute economic security without regimentation and rationing. The change is more far-reaching than would appear at first sight. It is not merely that the committee of dictatorship is eliminated, but the individual is freed from the tyranny of the elements of control or government embodied in the economic mechanism itself. Our present system was devised for the express purpose of making everybody work hard, and it is admirably fitted for the accomplishment of that purpose. In an age of plenty the only proper function of an economic system is to produce the goods and services required with the least possible expenditure of effort. It is the aim of Social Credit to restrict the economic system to this proper function. We have dictatorship now, the dictatorship of dire necessity. Social Credit does not propose to substitute one tyranny for another.

The old vs. The New Economics

But aside from this question of individual freedom there is another fundamental distinction between Social Credit and Communism or Fascism. Social Credit alone recognizes the existing fact that the age of plenty has arrived. It is an arm of what has come to be called the New Economics, a school which takes as its premise the fact that the community is now able with ease to produce enough to supply every requirement for a high standard of living. Our present system, based upon the old economics, is organized to meet conditions of scarcity which exist no longer. Communism and Fascism assume the continuance of those conditions of scarcity. In this they are at one with all systems of planned economy such as state socialism, technocracy and indeed our "new deal" administration itself.

The underlying error of all these systems manifests itself in two ways, a concern for the regulation of production and an anxiety for the reapportionment of the existing communal income. Social Credit refuses to tamper with the existing productive mechanism, lest the instrument which has proved itself so eminently efficient should be disrupted. It merely aims to make that efficiency completely available to the community by effecting the distribution and consumption of all the products of industry as far as they are desired. It increases the absolute totality of the communal income, but does not primarily concern itself with the relative apportionment of that income, on the theory that when every one has enough the circumstance that some people have too much will automatically adjust itself.

This is only common sense. After all there is nothing esoteric about Economics. As its etymology implies, it is only the law of the household writ large. If circumstances at home are straitened, it is necessary to practice economy in the narrow sense, so that every one may get his fair share of food, and provision may be made against the possibility of a still more stringent future. It may even be necessary to put in force the rule, He who does not work shall not eat. But there is no inexorable law of economics. Economy does not

mean parsimony. In a household where means are ample, the good housewife concerns herself with providing plenty for all rather than justly proportionate rations, and the members of the household are not bound down to a rule of work but are free to go about the business of living their lives in the way most congenial to their several temperaments.

By this distinction between the Old and the New Economics, the economics of scarcity and the economics of plenty, every communistic, socialistic, fascistic, industrial planning scheme can be tested—and will be found wanting.

Four Fallacies Of The Old Economics

The Nationalization of Industry

The nationalization of industry does not touch our problem. It is not needed to increase production. Production is adequate if only the consumer is given the means to make his demands effective. And there is every reason to suppose that under a system of national management production would not be as efficient nor as responsive to the demands of the consumer as it is now under private management. Why make the change? Besides all that, we in America have already found to our cost that national management is all too apt to result in measures for the deliberate restriction of production to make it accord with what the consumer can buy rather than what he requires. For instance, our present administration is restricting wheat acreage although, even according to the figures of its own experts, we are producing only half the wheat which would be required if every one in the nation were given an adequately balanced diet.

The Abolition of Private Ownership

Under Communism nationalization takes the extreme form of the abolition of private ownership of the means of production. Under conditions of scarcity there might be some ground for this proposal, but to-day it has become a meaningless dogma and by insisting upon it Communism has effectively destroyed itself as a force to be reckoned with. In an age of plenty and under conditions of mass production private ownership loses the significance it once had. The means of production are absolutely valueless except as they are used to supply wanted and needed goods to the community. An idle factory is no asset. If the community is given access to the full product of the factory, the factory will be kept busy but it will be entirely immaterial who owns it. From the point of view of Social Credit private ownership is not a factor in the problem of bringing the purchasing power of the community up to productive capacity, and adherence to the fetish of communal ownership is simply putting an obstacle in the way of the attainment of the desired objective.

The Abolition of Profits

The notion that the profit system is responsible for our ills is also anachronistic, a flareback to the age of scarcity which no longer exists. When there is not enough, care must be exercised to see that no one gets more than his share. But to-day there is plenty for all and it is not the profit system which is responsible for the existing stringency. Under present financial restrictions even if all the profits of industry were given to the workers, the community would still lack the means to buy the total output of industry. The reapportionment of an inadequate purchasing power does not make it any larger.

As a matter of fact Social Credit does not seek to diminish profits but to increase their totality in line with the increase in the general communal income. From the point of view of the producer its immediate program can be summed up in two words: More orders. In pursuing this policy Social Credit is in accord with the principle underlying modern mass production, the balanced load. Under this principle economical operation demands quantity output and of course correspondingly large consumption. In extending consumption, therefore, Social Credit is not favoring the consumer as such at the expense of the producer as such, but is working in harmony with the requirements of both and with the demands of scientific production.

The Class War

Another fundamental Communistic concept is the Class War, according to which the interests of the worker and capitalist are inevitably at variance and the proletariat must rise and overthrow the bourgeoisie. This concept also is based on the premises of the age of scarcity. In time past the revolutionist has been

fighting for a more equitable apportionment of scarcity. There was a real class conflict. To-day the basis of struggle is changed. There is enough for every man. The contest is no longer between classes but between those of all classes who are looking backward to scarcity and those of all classes who are forward-looking enough to envisage the new conditions of plenty. The financier who says that the people must be kept in want or the gold standard cannot be maintained, the capitalist who thinks that he must keep wages down or he cannot meet his costs, the workingman who says that the hours of labor must be shortened so that every one can have a job, these are all alike thinking in the old framework.

Wage-Earner And Investor Under Social Credit

Under present conditions there is no conflict of interest between capital and labor or between man in the capacity of producer and man in the capacity of consumer. On the other hand, as already pointed out, it is an essential condition of successful production that there should be ample power of consumption. Under Social Credit both the workingman and the investor will be benefited, not one at the expense of the other. The workingman, whether he works or not, will be assured of the necessities of life for himself and his family, and his children after him. If he wants more, as he undoubtedly will, he can work. He will not be driven by fear or starvation, but can select such work as will be suited to his temperament and physical condition. The rewards of his labor he can spend or invest as he sees fit. The investor's income will be increased directly by the amount of the national dividend and indirectly by virtue of the retail discount. He will still have the returns from his original investments. As profits will be increased, the yield from his stocks will be better, and his bonds will be freed of the danger of default. As time goes on the principle on his bonds will be repaid, but he can still re-invest in stocks, representing equities in our restored and enlarged productive plant.

Chapter IX

Conclusion

Today “We go to work to get the cash to buy the food to get the strength to go to work to get the cash to buy the food to get the strength to go to work. . .” * And so on *ad infinitum*.

*Upton Sinclair—quoted in *Unemployment Or War*, by Maurice Colbourne.

The Constitution of the United States declares that man has a right to life, liberty, and the pursuit of happiness. To a majority of people at the present time life simply means the *existence* described above, and often a precarious existence at that. Liberty and the pursuit of happiness to such people can only be words without meaning.

Obviously the individual is the microcosm to the world’s macrocosm. That which is unsuited to the individual cannot conceivably be suited to the large scale of the world.

“Systems were made for men and not men for systems, and the interest of man which is self-development, is above all systems, whether theological, political or economic. *

**Economic Democracy*, by C. H. Douglas, p. 6.

Social Credit is not solely an economic solution to the present crisis—it has a profounder philosophical basis, rooted in human nature itself. Its vital aim is not merely to establish economic security without destroying individual initiative. It is interested in economic security for the very purpose of establishing individual freedom in order that man may develop according to his own initiative and capacity. The possibilities implicit in our age of plenty go much further than the problem of distribution or any other economic consideration. *The struggle for physical maintenance becomes incidental*. Man is at last freed to devote himself to those intellectual, emotional and creative pursuits which alone can make life something more than mere vegetation. The expression of individuality is essential to the happiness of man.

To sum up:—the installation of Social Credit requires no revolution by violence, but quite simply, a revolution of the mind in its accustomed way of thinking about money. If this were accomplished and public opinion convinced of the fact that money is simply a costless but necessary license to acquire goods, the question would then be, not “Where is the money coming from?”, but “Where are the goods?” Our productive capacity answers that last question. The Social Credit plan, or any other designed for the purpose of using rather than abusing our cultural inheritance would then be practicable.

“The industrial machine is a lever, continuously being lengthened by progress, which enables the burden of Atlas to be lifted with ever-increasing ease. As the number of men required to work the lever decreases, so the number set free to lengthen it increases.” *

* *Credit-Power and Democracy*, by C. H. Douglas and A. R. Orage, p. 20.

We are standing to-day on a threshold. There is a flight of steps behind us, and ahead, a door, which is not locked but still closed fast. The threshold is symbolical of the Crisis of Democracy. The choice is ours. We can go backward to barbarism or open the door to a new civilization.