The Cancellation Bogey

AT some time during almost every person's study of Social Credit a difficulty appears to arise as to how credits, issued in the form of National Dividends or Price Discount, are cancelled.

A short answer is, of course, that this cancellation takes place in precisely the same way as that in which money is cancelled at the present moment. This, however, is not a very satisfactory reply as it does not explain anything to a person who does not understand how such cancellation takes place.

It is clearly indicated that the failure to understand "cancellations" as a problem is due to people still suffering from certain misconceptions.

The following is a list of points which must of necessity be grasped before cancellation of National Dividends, etc., can be understood.

1. At the present moment new money is constantly being put into circulation in the form of advances created by the banks. Money at the moment is constantly being taken out again through the cancellation of credit by means of repayment of such advances. This is the normal banking porcedure, which everyone who wishes to study Social Credit financial technique should understand.

2. There is frequently failure to distinguish between notes and financial credit. The latter is nothing more than a series of book entries and has purely psychological characteristics.

3. The phrase "cancellation" is in a way unfortunate. It refers, of course, to cancellation as purchasing power. The word itself rather conveys something physical, which is misleading. It would be better if instead of the word "cancellation" the word "immobilisation" was used. Notes in the possession of banks are virtually cancelled pending re-issue, for they are completely immobilised as purchasing power.

4. It must be appreciated that the *rate* of flow of costs is greater than the *rate* of flow of purchasing power. If this is denied, or rather not understood, then, of course, the whole cancellation problem cannot be understood either. The fact that the credits issued as National Dividend and Price Discount are automatically cancelled in the ordinary way depends entirely on this difference between the *rates* of flow of costs and purchasing power.

5. It is often overlooked that when a manufacturer (or producer) receives payment for an article, he has practically no choice but to use the money to repay the debt he has incurred in the manufacture, or to replace the article.

6. It follows from the above that, on receipt of such payment, and on such payment being used in the way mentioned in the last paragraph, the money is cancelled out of existence. The form of repayment, or of payment if used to purchase further articles, has no bearing on the subject at all.

Below is a tabular statement, which, though far from exhaustive, sets out the main principles under which the cancellation of credit issued is automatic.

The point to bear in mind is that costs have to be incurred before an article can be put on the market for sale. These costs must be financed in some way or other. The rest follows automatically.

It must be clearly borne in mind that the figures given below are purely symbolical and are not intended to be an estimate of the present ratio of the shortage of purchasing power. It is only by simplifying the arithmetic and the mathematics that it is possible to get a clear conception of the problem involved.

Cancellation of National Dividend and Price Discount Credits.

Assumptions :

Total Production ..	100	(1)
Labour costs in production	50	(2)
Price Discount ..	20	(3)
National Dividend ..	30	(4)

Sequence of Transactions :

Costs incurred by industry	100	(1)
Wages, dividends, etc., received by consumers ..	50	(2)
Other credits received by consumers ..	50	(3) & (4)
Item (1) must have been financed by banks.		
Industry owes banks	100	(1)
Industry sells goods and collects ..	100	(2) & (3) & (4)
Industry repays bank loans	100	(1)
Banks cancel these in ordinary way ..	100	(1)
Money left over ..	Nil	

NOTE: For the sake of simplicity and so as clearly to show the principle, the above figures ignore accretion of capital assets. If that be taken into account as an assumption, then the final result would show an increase in money of not more than the cost values of that accretion.

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