

# THE SOCIAL CREDITER

## FOR POLITICAL AND ECONOMIC REALISM

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### From Week to Week

The Scots say: "A GOOD New Year." What could be better?

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"... I had no idea you were in a bad way—*The Social Crediter*, I mean—so my subscription will go up from now on... Further subscriptions will come at odd times by surface mail during the year..."

The Secretariat is receiving rather a large number of letters expressing the same resolution, and is grateful. BUT

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BUT—our loyal correspondent mistakes the nature of our difficulties. It was Douglas's opinion that our generation—he *said*, "the younger generation"; but let that pass—"cannot envisage life in any other terms but as a career." CAN not. No one can be blamed for not doing what he CANNOT do. And we are not blaming them. The future rests not upon those who cannot but exploit every opportunity for some, perhaps unconscious, personal end, but upon the tight-lipped resolution of the hundreds of unknown men and women who know what they think and why they think it.

They reach out to us. We cannot always reach out to them. But we know they are there, and it is upon that assurance that our confidence rests. What the Secretariat is most in need of is a minimum of competent personal service. Not: "Tell us what to do, and we'll do anything *else*."

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Writing books? *Whose Service Is Perfect Freedom, Warning Democracy and Economic Democracy*—in that order—; but these have been written by someone else. Nor should their early availability be obstructed by dissipation of Social Credit bank balances.

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"The main objectives of the United Kingdom Atomic Energy Project over the next thirty to forty years are likely to be, first, the production of sufficient electricity in nuclear reactors to enable the country's rapidly growing demands for electricity to be met without imposing an intolerable additional burden on the coal industry, and, secondly, so far as possible, the replacement of some portion of the 30 to 40 million tons of coal which are now used annually in the generation of electricity which could then be made available for other and more profitable uses, as in exports. [sic] During this period atomic energy is by no means going to oust coal completely. It is only going to form an invaluable

supplement to it, to free good coal which is in short supply and to make more coal available for chemical processes which would recover the valuable compounds it contains instead of allowing it to disappear up the chimneys of power stations." (Lord Salisbury, in the House of Lords, December 14).

The Waverley Committee was appointed for the specific purpose "of devising a plan for transferring responsibility for atomic energy from the Ministry of Supply to a non-Departmental organisation and to work out the most suitable form for the new organisation, due regard being paid to any constitutional and financial implications." (Our emphasis.)

We will bear in mind this suggestion that there are constitutional implications, only remarking that Mr. Lilienthal's choice of Belgium as the production centre and Geneva as the research centre for the development of 'peaceful' atomic energy may raise the *de facto* dissolution of our island empire to the status of a *de jure* establishment of the world State.

At present the public is so hypnotised by the fearful elements of the "Atomic Energy Project" that the financial elements are receiving no attention whatsoever. This is not to be wondered at once it is noticed how near to Social Credit 'the financial implications' carries any intelligent observer.

"Only the barest summary of the Waverley Report has been published"—Lord Wilmot of Selmeiston. To judge from the mixed character of the data disclosed, the Lilienthals know perfectly what they are doing—which, briefly, is providing an economy in which salaries are paid to a small fraction of the population, scarcely any wages and no dividends at all, and what money is distributed will have got back to the banking system many years before the bill of costs is even presented.

The salaried?—The 'Scientists': a company of free men, locked in their laboratories and tube-fed through the keyholes.

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### NOTICE

#### Change of Address

Until the arrangements now proceeding are completed for the collection of all the business activities of the Secretariat and its agents under one roof, ALL COMMUNICATIONS INTENDED FOR Messrs. K.R.P. Publications, Ltd., and the Social Credit Secretariat should be addressed to the present Editorial Office at

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### FOR POLITICAL AND ECONOMIC REALISM

This journal expresses and supports the policy of the Social Credit Secretariat, which is a non-party, non-class organisation neither connected with nor supporting any political party, Social Credit or otherwise.

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Saturday, January 2, 1954.

### Centralisation of Power in Australia

A Proposal by Mr. J. T. Lang.

Under the heading "Canberra's Power Can Be Broken," the veteran Australian publicist, Mr. J. T. Lang contributes to *Century* for October 16 an article calling for six separate State referenda to restore the States to their place in the Australian Constitution.

In the Federal Parliament, he writes, two prominent members—one Labour and the other Liberal—both urged a National Convention to consider the question of States' sovereignty and the finances of State Governments. One member wanted the Convention to consider handing over more powers to the Commonwealth, while the other member wanted it to find ways and means to transfer powers back to the States from the Commonwealth Parliament.

This clash between the Unificationist line of thought, and the true Federalist approach to the Constitution reflects the very great differences between those contemplating Constitutional reform. But they have still not grappled with the real problem. That is the warping of the Constitution through the Unificationist approach of prominent members of the High Court, who have applied their own philosophy in order to make the Constitution mean what they think it ought to mean, rather than deal with it judicially in terms of what the original charter provided.

The Commonwealth is too prone to forget the origin of Federation. It is too anxious to forget that its own powers stem from a voluntary transfer by the States, sanctioned by a referendum of the people. But the original sovereign powers were vested in the States. That is why the Premier of New South Wales, Mr. Cahill, would have been on sound ground had he insisted on his right, as the Queen's First Minister in the State of New South Wales, to take charge of the landing of the Monarch at Farm Cove.

The manner in which the Commonwealth has ridden rough-shod over the sovereign rights of the States during the past twenty-one years reflects a spirit of constitutional anarchy rather than that of the recognition of the rights of co-equal partners in the structure of Parliamentary Government.

When I went to Canberra it was primarily to urge upon the Parliament and the people, the urgent need for the rehabilitation of State rights. Never has the axiom that finance is government been ridden so hard as the way in which the Commonwealth has treated the States.

The work of States destruction commenced with the establishment of the Loan Council and the signing of the Financial Agreement in 1928. It was carried to its next stage when a majority of the High Court upheld the Financial

Agreement Enforcement Act in 1932. But it was made absolute by the transfer to the Commonwealth of a taxation monopoly through the war-time Uniform Taxation Act, and finally sealed tight by the High Court decision that Commonwealth taxes had priority over State taxes.

We have now reached the impossible position where a State Government has less financial autonomy than a municipal council, and where semi-government bodies have far greater borrowing and taxing powers than the sovereign State of New South Wales. Without financial autonomy there can be no financial responsibility. The position has been aggravated by the annual diversion of current taxes to pay for capital works of the Commonwealth, whereas the States are required to build up their loan accounts and pay through the neck for financial accommodation.

But would a Convention provide a solution to the problem? Such a body, no matter how representative, would have no constitutional status. Its decisions would be only recommendations. They would still have to be implemented by referenda. The principal value of such a gathering would be educational and to act as a sounding board for various schools of thought.

But if it was dominated by the Parliamentary representatives, or the nominees of the two major political groups in the Commonwealth, it would not get very far. The real impetus for Federation at the Corowa Conference came from outside the political machines of the time. It came from an awakening national consciousness. Would politicians be prepared to abandon their own vested interests at such a gathering?

Would, for example, there be any room for a serious consideration of the anachronism of the present Senate? What chance would there be for a successful move to carry out Labour's platform of abolition? Then there is the need for recognising the aspirations of the New State Movements, which are anxious to go ahead with the programme visualised in the present Constitution of creating additional States within the Commonwealth. The politicians in Canberra who rode into political life on the band-wagon of the New States movement are never heard from these days on the principle for which they originally fought. Where are the sponsors of the New England Movement? What has happened to the Riverina Movement established by the late Senator Charles Hardy? Has Sir Earle Page forgotten his original doctrine?

The only way in which a Convention could be assembled would be to make it an elective one, so arranged that minorities obtain adequate recognition. It would have to have safeguards against machine manipulation. The lawyers would have to be kept in their proper place. Bitter experience has demonstrated that the decisions of practical men, expressed in simple terms, stands up to the test far better than the involved legal formulas of the professional hair-splitter.

But the initiative for true constitutional reform will never come from the Commonwealth under existing States. Federal politicians fundamentally believe in the Federal monopoly of power. So the States must be prepared to take the first step. They should get together without the Commonwealth. They should establish a series of simple propositions, backed with the facts. Those propositions should be submitted to the electors of each State by the State Government. There should be six separate State referenda.

In that way, the States would be able to clarify the

position so that they again become the Constitutional leaders. We would be back again to the methods employed by the early Federalists. We would be free of the inhibitions and obstructions of the Unificationists. Then the Commonwealth would have to face up to the expressed will of the people. By all means let us have a Constitutional Convention. But let it be called by the State Government. That would be the first step that might get somewhere.

### Social Credit Principles

The Editor, *The Social Crediter*,

Sir,

The important brief statement of the principles of Social Credit, which takes its origin from the address delivered by Douglas at Swanwick in November, 1924, was printed in *The New Age* in its issue for November 20 of that year, has since been several times reprinted and appears in *Warning Democracy* by C. H. Douglas as Chapter IV of that work (pages 37 to 43 of the third Edition).

A correspondent abroad has on several occasions questioned the accuracy of the newspaper's report of the first paragraph only and has suggested the withdrawal of the printed texts in existence, so far as practicable, and the substitution of an accurate text.

His suggestion was reported in detail to Major Douglas in 1935 and again, to my knowledge, in September, 1945. A written statement was elicited from Major Douglas on the first occasion which is conclusive concerning the authoritative text, but neither then nor later was it ascertained whether the author considered public correction necessary or desirable. Nevertheless, there can be no question but that the authentic text is superior to the published text in completeness of expression. Distortion of meaning is not involved, *excepting* in regard to an omitted paragraph, the wording of which Major Douglas (1935) reported from memory. Here too, a competent Social Crediter will recognise the emendation proposed by Major Douglas as a paraphrase of what he said on other occasions, and thus not of the order of a modification in any sense of his views.

The corrupt passage of which complaint is made is as follows:—

The financial system is the works or factory system of the world, considered as an economic unit, just as the planning department of a modern factory is of that factory.

Having corrected this passage, (*vide* complete text *infra*) Major Douglas went on:—

As far as my memory serves me, there is a further complete paragraph left out, somewhat as follows:—  
“The distribution side of the financial system exercises a function not dissimilar to that of the progress department of a factory.”

It is not for me to speculate concerning Major Douglas's reasons for not insisting on immediate correction of the text of a brief but important summary of his views, which has been very widely distributed. Even non-technical readers will appreciate that both the statements cited above are in fact *similes*, and, as such, have only such force as a figure of speech may possess. However this may be, I have authorised the reprinting of the leaflet, “Social Credit

Principles,” with the wording as corrected by Douglas, with an intimation that the text is a revised text, the date of the revision (January, 1954) being stated with a following reference to this letter of explanation of the circumstances. I have taken this course because I think it would be unwise to distract the attention of any new reader from uncomplicated study of the text as Douglas originally intended it to appear.

I append the revised text.

Yours faithfully,

Tudor Jones,

December 23, 1953.

Chairman, Social Credit Secretariat.

### Social Credit Principles

An address delivered at Swanwick, November, 1924.

By Major C. H. DOUGLAS.

(Revised,\* January, 1954).

The financial system, in its control over production, stands to the works or factory system of the world, considered as an economic unit, in the same relation as the planning department of a modern factory does to that factory.

The distribution side of the financial system exercises a function not dissimilar to that of the progress department of a factory.

No discussion of the financial system can serve any useful purpose which does not recognise:—

- (a) That a works system must have a definite objective.
- (b) That when that objective has been decided upon it is a technical matter to fit methods of human psychology and physical facts, so that that objective will be most easily obtained.

In regard to (a) the policy of the world economic system amounts to a philosophy of life. There are really only three alternative policies in respect to a world economic organisation:—

The first is that it is an end in itself for which man exists.

The second is that while not an end in itself, it is the most powerful means of constraining the individual to do things he does not want to do; *e.g.*, it is a system of Government. This implies a fixed ideal of what the world ought to be.

And the third is that the economic activity is simply a functional activity of men and women in the world; *that the end of man, while unknown, is something towards which most rapid progress is made by the free expansion of individuality, and that, therefore, economic organisation is most efficient when it most easily and rapidly supplies economic wants without encroaching on other functional activities.*

You cannot spend too much time in making these issues clear to your minds, because until they are clear you are not in a position to offer an opinion on any economic proposal whatever.

In regard to (b) certain factors require to be taken into consideration.

- (1) That money has no reality in itself. That in itself it is either gold, silver, copper, paper, cowrie shells, or

\*See *The Social Crediter*, January 2, 1954.

broken tea cups. The thing which makes it money, no matter of what it is made, is purely psychological, and consequently there is no limit to the amount of money except a psychological limit.

(2) That economic production is simply a conversion of one thing into another, and is primarily a matter of energy. It seems highly probable that both energy and production are only limited by our knowledge of how to apply them.

(3) That in the present world unrest two entirely separate factors are confused. The cry for the democratisation of industry obtains at least 90 per cent. of its force from the desire for the democratisation of the *proceeds* of industry, which, is, of course, a totally different thing. This confusion is assisted by the objective fact that the chief controllers of industry get rich out of their control.

I do not, myself, believe in the democratic control of industry any more than I should believe in the democratic control of a cricket team, while actually playing, and I believe that the idea that the average individual demands a share in the *administrative* control of industry is a pure myth.

The present world financial system is a Government based on the theory that men should be made to work, and this theory is considerably intermixed with the even stronger contention that the end of man is work. I want you to realise that this is a statement of fact, not a theory. More than 95 per cent. of the purchasing-power actually expended in consumption is wages and salaries.

It will therefore be seen that there are two standpoints from which to examine its mechanism. The first considered as a method of achieving its political end of universal work, and the second as a means of achieving some other political end—for instance, the third alternative already mentioned.

*Considered as a means of making people work (an aim which is common both to the Capitalist and Socialist Party Politics) the existing financial system, as a system, is probably nearly perfect.*

Its banking system, methods of taxation and accountancy counter every development of applied science, organisation, and machinery, so that the individual, instead of obtaining the benefit of these advances in the form of a higher civilisation and greater leisure, is merely enabled to do more work. Every other factor in the situation is ultimately sacrificed to this end of providing him with work, and at this moment the world in general, and Europe in particular, is undoubtedly settling down to a policy of intensive production for export, which must quite inevitably result in a world cataclysm, urged thereto by what is known as the Unemployment Problem.

To blame the present financial system for failing to provide employment is most unfair; if left alone it will continue to provide employment in the face of all scientific progress, even at the cost of a universal world-war, in which not only all possible production would be destroyed, but such remnants of the world's population as are left will probably be reduced to the meagre production of the Middle Ages.

*Considered as a mechanism for distributing goods, however, the existing financial system is radically defective. In the first place, it does not provide enough purchasing-power to buy the goods which are produced.*

I do not wish to enter at any great length into the analysis of why this is so, because it is always a matter of some heated controversy. I have, however, no hesitation whatever in asserting not only that it is so, but that the fact that it is so is the central fact of the existing economic system, and that *unless it is dealt with no other reforms are of any use whatever.*

And the second feature of equal importance is that considerably less than the available number of individuals, working with modern tools and processes, can produce everything that the total population of the world, as individuals, can use and consume, and that this situation is progressive, that is to say, that year by year a smaller number of individuals can usefully be employed in economic production.

To summarise the matter, the principles which must govern any reform of the financial system, which will at one and the same time avoid catastrophe, and re-orientate world economic policy along the lines of the third alternative, are three in number:—

1. *That the cash credits of the population of any country shall at any moment be collectively equal to the collective cash prices for consumable goods for sale in that country, and such cash credits shall be cancelled on the purchase of goods for consumption.*

2. *That the credits required to finance production shall be supplied, not from savings, but be new credits relating to new production.*

3. *That the distribution of cash credits to individuals shall be progressively less dependent upon employment. That is to say, that the dividend shall progressively displace the wage and salary.*

I may conclude by a few remarks on the position of the banks, in respect of this situation. It is becoming fairly well understood that the banks have the control of the issue of purchasing-power to a very large extent in their hands. The complaint which is levelled at the banks is generally that they pay too large a dividend. Now curiously enough, in my opinion, almost the only thing which is not open to destructive criticism about the banks is their dividend. Their dividend goes to shareholders and is purchasing-power, but their enormous concealed profits, a small portion of which goes in immensely redundant bank premises, etc., do not provide purchasing-power for anyone, and merely aggrandise banks as banks.

But the essential point in the position of banks, which is so hard to explain, and which is grasped by so few people, is that *their true assets are not represented by anything actual at all*, but are represented by the difference between a society functioning under centralised and restricted credit and a free society unfettered by financial restrictions.

To bring that perhaps somewhat vague generalisation into a more concrete form, the true assets of banks collectively consist of the difference between the total amount of legal tender, or Government money, which exists, and the total amount of bank credit money, not only which does exist, but which might exist, and which is kept out of existence by the fiat of the banking executive.

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