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Alternative to Disaster

By BRYAN W. MONAHAN

I. Riddle of the Sphinx

She terrorised the people by demanding the answer to a riddle taught her by the Muses—what is it that has one voice and yet becomes four-footed and two-footed and three-footed?—and devouring a man each time the riddle was answered incorrectly. Eventually Oedipus gave the proper answer: man, who crawls on all fours in infancy, walks on two feet when grown, and leans on a staff in old age; the sphinx thereupon killed herself.

—Encyclopædia Britannica.

Since Gary Allen's book *None Dare Call It Conspiracy* is almost entirely a collation of verifiable facts concerning the use made of international financial power in relation to the major events of modern times, it has proved highly convincing to a majority of those who have read it with due care. And yet—so far—it has not produced that upsurge of public opinion which would render the continued operation of the Finance-Communist Conspiracy impossible. It has been suggested that the reason for this is that there appears to be no alternative to the system, closely related to the financial system, which is visibly leading to tyrannical World Government involving the destruction of nations and their cultures in the interest of a One World uniformity.

Now finance has two distinct aspects. *Primarily*, finance means money and its availability, and money *as such* has three related functions—(a) as a unit of account, (b) as a means of distribution of goods and services, and (c) as indicating relative demands on production. *Secondarily*, and because of its distributive function, finance is used *as an instrument of policy*. It functions then as a licence to act. There is no necessary connection between the primary and secondary aspects; the former is technical, and the latter is political. Insofar as there is an international financial system, there is an international political system. The political aspect of money is its use to control the action of individuals and groups; internationally, to control the activities of nations, as Mr. Allen has disclosed. Money is *the* instrument of government, backed, in the last resort, by some form of police-power. That is to say, the use of money is controlled by laws, and laws are, when necessary, maintained by force.

Now contrary to popular (but not to informed or official) opinion, money in general has no inherent value, apart from the minuscule amount of money represented by metallic coins. Printed paper notes, circulating in the community like metallic coins, are still only a very small part of what is now generally called "the money supply". The great bulk of this money supply does not circulate at all. It is represented by figures in books of account, and has its origin in credit

entries originating in overdrafts (miscalled 'loans') made by banks. It is the action of banks in increasing or withdrawing these 'loans' which provides the possibility of varying the 'money-supply'. Fairly obviously, if all money were 'real' (*i.e.*, had inherent value) and was owned by individuals, the 'money-supply' could not be systematically varied, any more than the amount of land can be varied.

But while money has no inherent value, being a device rather than a thing, it has value of another kind—*scarcity* value. If money is treated as if it had a real commodity value, that value is enhanced by keeping it in relatively short supply. Money also has a 'real' value which can be defined as its purchasing-power. This of course derives from its use as a unit of accounting. What money really measures in this case is the *relative* value in cost-accountancy terms of various goods and services. It is important not to confuse this 'value' with price. The lower limit of price is the accountancy-cost, made up in the case of goods of the addition of the disbursements made in the course of the production of those goods, plus whatever minimum profit will ensure the continued production of the articles in question; but the upper limit of price is what goods will fetch on the open market. An expansion of the money-supply *ahead of the production of articles for consumption* tends to raise the level of prices, because there is an increase in the money supply in relation to the *presently* available goods—a situation known as "demand-inflation". The effect of this inflation, so defined,—an increase in the money supply accompanied by a general rise in prices—maintains the general scarcity value of money (because the increase in the money supply does not result in an increase in general purchasing-power), and its use as an instrument of policy; for clearly the 'richer' a community becomes, the less susceptible it is to control by financial means.

Demand-inflation, however, is not the only form of inflation. A rise in prices lowers the purchasing-power of the unit of money, and hence of existing wages and salaries. As this reduction of purchasing-power is not accompanied at first by a diminution in the availability of goods and services, there is a natural and justifiable demand for a commensurate increase in wages and salaries merely to maintain the *existing* standard of living. If these increases are obtained, however, they enter into the cost of forth-coming and future production, and since the minimum price of goods is based on the cost of production, minimum prices will rise. This is known as "cost-inflation". On the other hand, if cost-of-living adjustments are *not* made to wages and salaries, the volume of

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FROM WEEK TO WEEK

With the re-election of President Nixon accomplished (poor Senator McGovern having been put up to ensure the result) we have almost certainly entered the final period leading up to World Government. The keynote of this period will be increasing co-operation between the Nixon Administration and the Communist powers, and the 'joint' reconstruction of S-E Asia, chiefly at the American taxpayers' expense. Government controls everywhere will be intensified, ostensibly to 'fight' inflation, but in fact to complete the setting-up of the Corporate State which, when police-powers are required to maintain it, becomes converted to a Communist State. So far as Europe is concerned, it is all too probable that the 'police' will be provided by the Red Army for, as a socialist enterprise, it will become subject to the Brezhnev Doctrine. Britain, being an island and not readily accessible to the Red Army—yet—may be billed to go down in anarchy.

And yet, there are, relatively, only a handful of people behind these developments; and if this fact were recognised, and *widely enough* exposed, their power for evil would be destroyed. As never before, the material for this exposure is readily available. It needs to be spread like the spread of an infectious disease, where every person who learns the facts can pass them on to several others: a geometric spread which, if rapid enough, can put a stop to the Great Conspiracy.

Who They Are

To give priority to the publication of "Alternative to Disaster", "Who They Are" by Gary Allen, being reprinted serially from *American Opinion*, will be continued later. "Alternative to Disaster" will be reprinted shortly as a booklet.

Alternative to Disaster

(continued from page 1)

goods sold will fall, unemployment will rise as manufacturers attempt to 'economise', distribution of incomes will fall—a vicious circle and, as one might say, a proper mess—but a mess which confronts most industrial nations today (a few escaping at the expense of the others—"exporting unemployment").

There is, however, a more subtle factor underlying inflation—a factor which ensures *continuous* inflation. We have said—what is evidently a truism—that the minimum selling-price of goods is the cost of production plus the mini-

mum profit which will ensure continued production. Leaving aside the cost of raw materials, the cost of production is made up of wages and salaries which, after redistribution to cover various services other than the production of goods, constitute the income of the community. (This basic situation is of course affected by external trade, but the principle remains valid.) But in addition to wages and salaries, the cost of production includes depreciation *charges* to cover the depreciation of plant and premises, and also the cost of intermediate products of semi-manufactures. These charges do not reflect any current distribution of income; they are book-keeping additions to the wage and salary cost of production. The effect of this, of course, is that prices in the aggregate are greater than incomes in the aggregate *in relation to a given cycle of production*—say total output over a year.

"Prices in the aggregate are greater than incomes in the aggregate". The validity of orthodox economic theory—and particularly the idea that inflation can be 'controlled' or 'fought' (as if it were a living monster)—rests on a denial of that proposition. It is contended, for example, that since consumers buy only consumers' goods, whereas in addition to wages and salaries paid for the production of consumers' goods, wages and salaries are also paid for the production of non-consumer goods, there is additional income available to meet the depreciation charges in consumers' goods production. But, as they say, that horse won't run. Any economic entity—that is to say, a self-contained economic unit able to supply from its own resources all that it requires to function (the whole world, or any sub-division of it such as a well-endowed nation—the U.S.A. or Canada and increasingly Australia, South Africa, etc.) can be considered as a single factory, just as a single factory may comprise several different production units. That economic entity *as a whole* will have depreciation charges additional to all the salaries and wages it pays out to the community.* *These charges can be met only by an expansion of the money supply.* This can be done either by exporting goods in excess of imports (an impossibility on a world-scale unless we can discover another planet with spare cash to buy world-exports), or by expanding the internal money-supply through the creation of new money. But so long as this new money is 'spent' into the economy in such a way as to increase charges on account of capital—either further depreciation charges, or by increasing the public debt and consequently amortization charges—the 'economy' is committed to endless expansion merely to distribute what has already been produced. But of course there is a physical or at least a sensible limit to expansion. And it is because that is being approached that the world is involved in economic crisis—a crisis of rising prices accompanied by rising unemployment.

This "deficiency factor" in the operation of the economic system is by no means self-evident, and indeed many people

*The *Pocket Compendium of Australian Statistics (1968)* gives the value of the Gross National Product for 1966-67 as \$22,782 million, and National Income as \$18,183 million, a difference of \$4,599 million, or 22%. Personal income of residents is given as \$17,397 million, a difference of \$5,385 million, or 24%. A similar difference is shown for the preceding ten years. Precisely what these figures mean it is not possible to say, but they do appear to confirm this analysis. A difference between product and income accumulates from year to year, and an accompanying graph shows that GNP rises faster than national and personal incomes.

find the conception elusive. There is a good reason for this. From the beginning of industrialisation there follows a period of continuous expansion, even an acceleration—that is to say, the community is receiving income for both consumer-goods production and non-consumer—capital—goods production. Thus it appears that the total cost of living is balanced by total incomes, or total incomes may even exceed total cost-of-living, the difference being represented by savings—the process known as “capital formation”. Large-scale savings are derived from profiteering, since the *upper* limit of prices rises to absorb money available. But here a further complication sets in. Very little of aggregate savings is left ‘idle’, like money in a stocking. Savings are in the main, either by individuals or through financial institutions, invested in the further expansion of industry. The ‘saved’ money thus re-appears as purchasing-power; but a new capital liability has now appeared, adding to depreciation charges *without* an expansion of the money supply to cover them.

However, the rate of expansion of industry gradually slows down as the capacity of the community to absorb its products approaches saturation point; in the limit, only maintenance and/or improvement of plant remain (and improvement almost always means an increase in output for a given amount of human labour, or the same output with *less* labour—‘redundancy’). But even before this stage is reached, the ratio of plant charges to total wages and salaries will be increasingly in excess of 1:1, while the demand for new factories is diminishing. It is in this period that “deficit financing” is applied (it has reached astronomical proportions in the United States Budget). However, as the deficit means in fact the use of bank-‘loan’ facilities which have to be amortized, and as the whole process means piling up excess productive capacity, ultimate break-down is only postponed. Moreover, as replacement plant tends towards complete automation, the plant-charge:wage-distribution ratio rises still faster.

Once industrialisation is established, and still expanding, the effect is to make available to consumers a range, variety, and quantity of goods scarcely imaginable in pre-industrial days. Nevertheless, in the absence of innovations, overall demand declines as wants are met. Consumer durables have a considerable life—cars *etc.* can be built faster than they wear out, and built-in obsolescence raises serious problems of waste and disposal, not to mention pollution. The consequence of this is that again employment ‘opportunities’ diminish, unemployment rises, effective demand on industrial output falls, and thus a vicious circle comes into operation—our present situation. The *availability* of goods remains what it was, but financial access is blocked merely by the normal operation of the *accountancy* system.

In the light of the above description of the economic system, two propositions may be stated:

(1) Because of the operation of the concealed “deficiency factor” in industrial accountancy, rising prices are an integral part of the system as it exists.

(2) A rise in prices requires an expansion of the money-supply *if the same VOLUME of goods is to be shifted over a given period of time.*

Thus the attempt to ‘fight’ inflation by ‘holding-back’ the expansion of the money supply depresses the economy and aggravates the problem; for when it comes, ‘reflation’ of the economy meets a depressed condition of production, and is apt to provoke an undue rise in prices—‘demand’-inflation.

On the other hand, meeting rising prices by wage and salary rises further increases costs, and hence prices—‘cost’-inflation with a time-lag.

Put shortly, the industrial system is carried on only by *progressively* mortgaging the future in order to sell the goods *existing* at present; and of course the instalment system of purchase—hire-purchase—is, so to speak, a hyper-extension of this process; not only future production, but future incomes are mortgaged. In general, the cumulative deficiency-factor is represented by mounting debt, both public and private, which in the nature of things can never be repaid.

This last statement may serve to make the whole matter clear. In an industrial community, every child that is born becomes responsible for a part of the so-called national debt—that is to say, part of the financial cost of past wars, and of money ‘borrowed’ chiefly from the banking system for various other purposes, including deficit financing to ‘stimulate the economy’. But equally, every child becomes responsible for part of the ‘debt’ owing to industry for past expenditures on plant, wages and salaries (the capitalisation of industry). This latter ‘debt’ forms part of the price of an article. Thus the distinction between ‘public’ debt and the claims made by industry is apparent rather than real; the former represents an addition to taxes, the latter an addition to costs, and hence prices. In the last resort, paying off debts means working without return. This represents the erosion of the purchasing-power of human *effort*, which is accomplished by depreciation of the purchasing-power of the *unit* of money.

In general terms, the situation is that the financial system—which in turn means those ultimately in control of the system, the *international* financiers so ably described by Gary Allen—claims ownership over the properties of nations by way of mortgage. But the whole point of ownership is *control*; and control over industry and its resources means control over people. The attempt to tie all national currencies to an international currency (“paper gold”) and to disarm nations while establishing an international ‘police’-force (no doubt with exclusive control of nuclear weapons) is an attempt to ensure that the claim to ownership and control can never be effectively challenged. Whether this attempt can be defeated will be determined within the next three or four years.

II. The Realities of Modern Industry

The operation of finance is so integrated with the operation of the industrial system that economic theory is almost entirely financial theory, and the actual physical realities of the industrial system are almost entirely overlooked. The results aimed at in the operation of the system are financial results.

Industrial activity can be defined as the conversion of materials into forms serving the purposes of mankind. The first purpose, of course, is the maintenance of life. This conversion of materials involves the expenditure of energy. It is an elementary fact that animals can support life by their own physical activities. Herbivorous animals need to spend a considerable proportion of their time (or better, time-energy units) just in eating, as their food is of low energy value in relation to its bulk. Carnivorous animals, on the other hand, spend much less time on eating although, if food is scarce, they may have to expend time-energy units hunting for it. Where food is plentiful, they spend their time in play.

Man is of the carnivorous type, and has a considerable surplus of energy in common with the carnivores. But because of his intellectual capacities and high intelligence, man has been able to use his energy in ways which render it more productive. In the first place he made use of tools which, in the broadest sense, gives his energy *leverage*. In the second place, he discovered the value of association—co-operation between a number of people directed to a common objective. This makes possible the achievement of objectives impossible for single individuals, although the combined energy-consumption is only the sum of the individual consumptions. This is an *unearned increment* in the effectiveness of association.

Over the course of thousands of years, methods of utilising extra-human sources of energy were discovered and applied. These were animal-energy (horses, camels, oxen, etc.); water-power (mill wheels); and wind-power (wind-mills). As well as these physical factors, an intangible factor of extreme importance operated—the development of language and the *accumulation* of tradition and records, as well as of tools and dwellings—the origin of the growth of capital. Thus what was discovered and applied in one period of time served as the foundation for later discoveries and accumulations, like the construction of a multi-storey building. All this represents the growth of “the cultural heritage”.

Each of the factors—intellect-intelligence, leverage, associative co-operation and extra-human energy (including, in a rather different sense, the use of fire in the recovery of metals and the baking of materials) and the cultural heritage—is a multiplying factor operating on the effectiveness of human energy. The equation is not human effort $+ a + b + c + d$, but human effort $\times a \times b \times c \times d \dots$ —a geometric not an arithmetic progression.

The remains and monuments of ancient past civilisations bear witness to the productivity achieved on an early human level. Succeeding civilisations carried the process even farther. The great cathedrals, palaces, and castles; ships; roads and reservoirs—an accumulation of vast works predominantly based on the expenditure of human energy surplus to that required for the mere maintenance of life. And yet in the days of Merrie England, real poverty in England was hardly known, and leisure was more widespread than it is today.

But, after many thousands of years of slow, though accelerating progress, only about 250 years ago an entirely new dimension was added—the harnessing of stored solar-derived energy (fossil fuels and large-scale water-power) to the processes of production. This initiated a geometric progression of a much higher order, which might be represented as human energy $\times a^n \times b^2 \times c^m \times \dots$. The factors in this progression are solar-derived energy largely displacing man-power and animal-power from an energetic point of view; mechanical engineering; the use of electricity; automation; electronic technology including communications thus made virtually instantaneous; and electronic data-processing.

Put shortly, the effect of all this is to multiply the effectiveness of human effort—both muscular (labour-power) and intellectual by a factor of the order of thousands to one, besides opening up undreamed of possibilities. What has been called “the progress of the industrial arts” has been likened to a lever the use of which not only lightens the burden of living, but also sets men free from basic economic necessities so that they can still further lengthen the lever, or

pursue creative and artistic activities and restore craftsmanship.*

But what of the product of this enormous industrial machine? It produces two classes of output—goods serving the needs and requirements of individual consumers; and capital goods utilised by organisations. Now clearly a matter of fundamental importance is the *ratio* of these two classes of output.

Individuals require in the first place a sufficiency of food, clothing and shelter. Disregarding exotic tastes in food, the physical quantity of food required by the individual is quite limited, and in ordinarily endowed countries, abundantly available. This applies also to clothing. Housing is more complex; but in fact in ordinarily prosperous nations the whole population is housed, but the standard of housing varies much more widely than the demand for food and clothing, and in relation to possibilities, a great deal of housing is sub-standard or worse. But the building industry is *capable* of providing adequate housing for all—it is fundamentally a matter of the ratio of domestic to office and factory building. In Australia in 1967 the ratio (in monetary terms) was about two domestic to one non-domestic.

Physically, therefore, it is possible to meet the fundamental requirements of the *whole* population of an industrially developed country at well above subsistence level quite easily; and in fact it has been estimated that quite a high basic standard of living, utilising the industrial machine efficiently, could be maintained with the employment of only a fraction of the time of the available work-force—a few minutes work per day for all adults between the ages of 18 and 40. In consequence of this, the endeavour to employ the *whole* of the available work-force say for 40 hours per week results in (a) lower efficiency, since efficiency is lost in ‘making’ work; and (b) over-production of non-essentials with a resultant struggle for export markets.

The important point is that there is a fundamental and growing conflict between the concept of a fuel-powered and increasingly automated productive system, and the political objective of full employment for the whole of the employable population. The population can only be kept working—at least under some of the conditions of employment—if they are penalised for not working; and the only practicable penalty is to deny access to food, clothing and shelter to those who are not ‘employed’ or, under more recent practices, allow access only to subsistence levels. In short, the objective of full employment is pervasive government of the total population. But such employment while it can be maintained, even at a relatively low level of efficiency, necessarily results in a super-abundance of production and a consequent social unrest: wages ‘restrained’ to keep down prices, while luxury goods are advertised in abundance.

A good deal of employment is tedious and even futile; and this, combined with expectations generated by the modern educational system, leads to unrest and ultimately student disorder—an attempt to break-up a society which is not giving general satisfaction. As clearly the possession of money is the key to the possession of goods displayed in abundance, there is an increasing provocation to crime.

(To be continued)

*See . . . *Neither Do They Spin . . .* by Bryan W. Monahan: Tidal Publications and K.R.P. Publications.