

**S O C I A L
C R E D I T**

CLEARLY EXPLAINED

**101 QUESTIONS
ANSWERED BY**

**JOHN
HARGRAVE**

WITH A NUMBER OF DIAGRAMS & ILLUSTRATIONS

PRICE TWO SHILLINGS

SOCIAL CREDIT CLEARLY EXPLAINED

101 Questions Answered

By

JOHN HARGRAVE

*Fellow of the Royal Society of Arts; Economic Adviser to H.M.
Government of Alberta (1936-37); Founder and Leader, The Social
Credit Party of Great Britain.*

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FOREWORD

ALTHOUGH THERE ARE many books and booklets on the subject of Social Credit, we are always being asked for "A simple explanation—something that anyone can understand."

Experience has shown that the question-and-answer method is the only one likely to be effective in attempting to comply with this request.

This little book contains the Answers to 101 Questions about Social Credit. All of them are real questions that have been asked from time to time at Social Credit Party meetings and talks up and down the country. A team of Social Credit advocates kindly undertook to jot down all the questions usually asked, and send them to me. Originally, over 400 Questions were dealt with, but this number has had to be drastically cut owing to paper restrictions.

In compiling the Answers I have had the help and advice of recognised Social Credit technicians, including:

Arthur Brenton, Editor of *The New Age*, 1923-38.

C. Marshall Hattersley, author of *This Age of Plenty*, etc., etc.

N. Ridley Temperley, A.M.I.E.E.

To these, and a number of others, who have given very valuable assistance, I offer my sincere thanks. It should be clearly understood, however, that I alone am responsible for the wording of the Answers set forth in the following pages.

I also wish to thank Mrs. Ashley Lewis for typing the original MS., and Mr. and Mrs. Ian Alastair Ross for sorting out the most important Questions and arranging them in their present sequence.

It must, of course, be left to the general public to determine whether this small volume does in fact provide "A simple explanation—something that anyone can understand." That is its one and only object, but, in our phase of civilisation, adrift in a sea of pseudo-scientific jargon and bemused by a mass of seemingly unrelated "facts," it is the simple logic-tight statement based upon careful reasoning that is difficult to grasp.

What the so-called "experts" say is of no consequence whatever—their opinion is utterly and for ever discredited by their support of a financial policy and technique that continually plunges mankind into poverty and war. We all know that "A nod is as good as a wink to a blind horse," but if you really do want to understand Social Credit, I hope these Answers to Questions may be useful to you.

J. H.

Royal Societies Club, London, 1945.

PART I

WHAT IS SOCIAL CREDIT?

1. WHAT DOES "SOCIAL CREDIT" MEAN?

IT MEANS (1) a dynamic idea, and (2) the financial technique for putting it into operation.

The dynamic idea is: that we live in a world of abundance; and the financial technique is designed to distribute this abundance.

2. WHO ORIGINATED THE SOCIAL CREDIT IDEA, AND HOW DID HE HIT UPON IT?

A SCOTS ENGINEER, Clifford Hugh Douglas, Major R.A.F. (Reserve), born January 20, 1879, M.I.Mech.E., M.I.E.E., originated the Social Credit idea. He was on the staff of the Westinghouse Company of America; late chief Reconstruction Engineer for the British Westinghouse Company in India; deputy Chief Engineer of the Buenos Aires and Pacific Railway Company; Railway Engineer of the London Post Office (Tube) Railway; Assistant Superintendent R.A.F. Factory, Farnborough, during the First World War. Witness before the Canadian Banking Enquiry, 1923, and before the Macmillan Committee, 1930. Author of: *Economic Democracy; Credit Power and Democracy; Social Credit; The Monopoly of Credit; Warning Democracy*; etc.

While reorganising the working of the Farnborough Aircraft Factory during the 1914-18 war, Douglas's curiosity was aroused by his observation that the total costs incurred each week were greater than the sums paid out for wages, salaries, and dividends each week.

If this is true, as presumably it must be, for all productive businesses, it would seem to destroy the theory upon which our whole financial system is supposed to work—namely, that all costs are distributed simultaneously as buying-power.

Douglas collected information from over a hundred large businesses in Great Britain, and found that in every case the total costs incurred each week were greater than the sums paid out as wages, salaries, and dividends—except in businesses heading for bankruptcy.

He published his conclusions in an article in the *English Review*: "That we are living under a system of accountancy which renders the delivery of the nation's goods and services to itself a technical impossibility." The importance of this was recognised by very few at the time, but the late A. R. Orage, then editor of *The New Age*, grasped what it meant clearly, and at once invited the discussion of the idea in his paper.

3. ARE NOT SOCIALISM AND SOCIAL CREDIT MUCH THE SAME THING?

No, THE DIFFERENCE is fundamental and clear cut:—

1. Socialism states that the social-economic conflict is Capital *versus* Labour.
2. Social Credit states that the social-economic conflict is Finance *versus* the Community.

The fight between two rats shut in a trap is not "much the same thing" as their quarrel with the rat-catcher who set the trap. It is totally different.

(Capital and Labour are the rats in the trap. Finance-Capital—the Money Power—is the rat-catcher.)

4. IS IT NOT A FACT THAT SOCIAL CREDIT HAS BEEN TRIED IN ALBERTA AND FAILED?

No, IT IS NOT. I went to Alberta in the winter of 1936-37 to see for myself what was happening, and acted as Economic Adviser to the Alberta Government Planning Committee. (See *The Alberta Report*, issued by the Social Credit Party of Great Britain, 1937.) I found that it was not Social Credit that had failed—but the attempt to introduce it. A very different thing.

In August, 1935, the people of Alberta voted for the late William Aberhart and his Social Credit Party, and this resulted in a landslide electoral victory for Social Credit. During the next five years the Aberhart Government struggled to be allowed to introduce Social Credit. In 1940, when the Aberhart Government was nearing the end of its term of office, another general election was held. All the political wiseacres predicted that Aberhart and his Government would be swept out. Yet, in spite of five years of not being allowed to introduce Social Credit, the people of Alberta went to the polls and—returned Aberhart and his Social Credit Government for another five years, with a strong working majority! And this Government, now led by Premier Manning, again went to the polls in the autumn of 1944, and was returned with an even greater majority, gaining 51 seats out of the total of 57. Yet despite this Provincial majority Alberta is still struggling to introduce Social Credit in accordance with the mandate of the people.

So far, every attempt to implement Social Credit in the Province has been thwarted and prohibited as "unconstitutional."

Thus, for example, the Alberta Legislature passed the following Bills:—

1. "Credit of Alberta Regulation Act."—Disallowed by the Dominion Government, Ottawa, August 17, 1937.

2. "Bank Taxation Act."—Assent withheld by Lieutenant-Governor. Declared unconstitutional by Supreme Court of Canada. Appeal by Province from Supreme Court decision to Privy Council dismissed.

3. "Reduction and Settlement of Debt Act."—Declared *ultra vires* of the Province by the Courts.

4. "Act to Ensure Publication of Accurate News Information."—Assent withheld by Lieutenant-Governor. Declared unconstitutional by Supreme Court of Canada. In the appeal by the Province from the Supreme Court's decision, the Privy Council refused to hear Alberta's argument by their counsel.

5. "Home Owners Security Act."—Disallowed by Dominion Government, Ottawa, June 15, 1938.

6. "Security of Tax Act, 1938."—Disallowed by Dominion Government, Ottawa, June 15, 1938.

7. "Credit of Alberta Regulation Act (1937 Amendment)."—Assent withheld by Lieutenant-Governor. Declared unconstitutional by Supreme Court of Canada. In the appeal by the Province from the Supreme Court's decision, the Privy Council refused to hear Alberta's argument by their counsel.

The truth is that democracy has been denied to the people of Alberta by the Money Power.

5. WHAT IS THE BASIS OF THE SOCIAL PHILOSOPHY OF SOCIAL CREDIT?

THAT THE INDIVIDUAL is the all important unit. And that the only justification for the existence of any organisation—from a football team to the State itself—is that it helps in some way the life and well-being of the individual.

6. WHAT IS THE SOCIAL CREDIT IDEA STATED AS SIMPLY AS POSSIBLE?

THAT THE ONLY object of Production is Consumption, and that, of all the interests seeking satisfaction in the State, the interest of *CONSUMERS* shall be paramount. You are a consumer. So am I. We are all consumers.

In a modern community it is not difficult to produce enough and to spare for everyone. Social Credit is an economic technique for giving you your share of the things you want—including *time* to enjoy life, and therefore *culture*.

Social Credit does this by allowing Consumption to keep pace with Production—i.e., by seeing that total Consumer Incomes balance total Retail Prices all the time.

Social Credit is, in reality, a technique for allowing people the opportunity of living the Good Life—of living splendidly, instead of drudging and money-grubbing and snatching. You know what you want out of life—Social Credit makes it possible for you to get it.

7. STATED SIMPLY, WHAT DID DOUGLAS DISCOVER —AND HOW DID HE PRESENT THE IDEA?

HE DISCOVERED (1) that there is, in peace time, a chronic shortage of consumer buying-power, and (2) how this shortage can be corrected so that people can buy all the goods and services that are ready for sale at any given moment.

He presented the Social Credit idea in a twofold manner:—

1. AN ANALYSIS OF COSTING, which has become known as the "A + B Theorem."
2. A SET OF PROPOSALS, of which the essentials are:—
 - (i) The establishment of a Credit Authority or National Credit Office.
 - (ii) The debt-free financing of the consumer apart from the employment system, by means of a National Dividend.
 - (iii) The application of the Scientific Price Adjustment at the retail end; and
 - (iv) New credits for new production.

8. WHAT IS THE A + B THEOREM?

IT IS A method of analysing costs devised by C. H. Douglas which reveals that there is, in peace time, a "gap" between the total buying power of individuals and the total prices of goods ready for sale.

The payments made by any factory or other productive organisation can be divided into two groups:—

Group A.—All payments to individuals (wages, salaries and dividends).

Group B.—All payments to other organisations (raw materials, bank charges, and other external costs).


The rate of flow of buying-power to individuals is represented by A, but since all payments go into prices, the rate of flow of prices cannot be less than A + B.

Since A cannot equal A + B, a proportion of goods ready for sale at any given moment cannot be purchased by the consumer.

If all goods ready for sale to the consumer are to be purchased, additional buying-power at least equivalent to B must be distributed.

The following diagram represents the two rates of flow of (A) consumer buying-power, and (A + B) prices charged to the consumer:—

A  buying-power.

A + B  prices.

9. WHAT IS THE NATIONAL CREDIT OFFICE?

IT IS THE Central Credit Authority that will be established by a Social Credit Government. At present there is no such authority, although there is a National Debt Office, 19, Old Jewry, London, E.C.2, established 1786 (26 Geo. III, c.31).

The National Credit Office will establish a National Credit Account, based on an assessment of the nation's assets and power to produce Real Wealth. It will keep an account of all increases and decreases in the nation's Real Wealth, and calculate the nation's Real Credit on that basis.

10. WHAT DOES THE NATIONAL DEBT OFFICE DO— AND WHO RUNS IT?

IT IS SUPPOSED to apply certain funds, known as "Sinking Funds," towards the reduction of the National Debt. ("Sinking Fund" is an appropriate name, because all money sunk in this fund is—sunk! and thereafter cannot be used as consumer buying-power.)

It is run by the National Debt Commissioners. They are:—

The Speaker of the House of Commons,

The Chancellor of the Exchequer,

The Master of the Rolls,

The Lord Chief Justice,

The Paymaster-General, and

The Governor and Deputy-Governor of the Bank of England.

11. SURELY THE TREASURY HAS CONTROL OVER THE BANK OF ENGLAND?

YOU WOULD THINK so, but it has not. The Treasury is "advised" by the Bank of England—in actuality, by the Governor—and always follows that "advice." Any Chancellor of the Exchequer who did not do so would find himself in Queer Street very quickly. This was so even in the time of Gladstone, and it is much more so to-day.

Gladstone wrote: "From the time I took office as Chancellor of the Exchequer (1852) I began to learn that the State held, in the face of the Bank and the City, an essentially false position as to finance. The Government itself was not to be a substantive power, but was to leave the Money Power supreme and unquestioned. In the conditions of this situation I was reluctant to acquiesce, and I began to fight against it by financial self-assertion from the first. I was tenaciously opposed by the Governor and the Deputy-Governor of the Bank (of England) who had seats in Parliament, and I had the City for an antagonist on almost every occasion." (Morley's "Life of Gladstone.")

"On one memorable occasion the Governor of the Bank (Mr. Montagu Norman) was asked the relationship of the Court of Directors (of the Bank) and the Treasury. He replied that it was the relationship of Tweedledum and Tweedledee." (Lord Strabolgi, then Lt.-Commander Kenworthy, in the *New Leader*, October 9, 1931.)

12. WHAT IS THE NATIONAL DIVIDEND, AND WHY IS IT REQUIRED?

IT IS THE method whereby every citizen will become a birthright shareholder in the common wealth of the community.

The National Dividend is the share-out mechanism of a modern Power-Age society. It will be paid as a flat rate to everyone—rich or poor—who chooses to draw it. It will be based on the total productive capacity of the community, *and will rise and fall with production*. It will be paid over and above the wages and salaries of those engaged in production.

By means of the National Dividend and the Price Adjustment the Home Market will be made effective, which means that the people of this country will be able to buy the goods and services ready for sale.

It eliminates the miserable, miserly unemployment "dole," and ensures to everyone economic security—*AND* freedom. Economic security without freedom is Totalitarian Serfdom—the Servile State.

A National Dividend is required because we—by which I mean *we* in this country—have left behind a Scarcity-and-Work Age, and have entered an Abundance-and-Leisure Age, in which more and more goods and services can be produced with less and less human Labour. A Power-Age society, using a modern production technique—i.e., labour-saving devices of all kinds—does not need the labour-power of a very large number of "workers" who were required heretofore. The National Dividend—the "Wages of the Machine"—is needed in order (a) to free industry from being clogged with unwanted "workers" seeking jobs in order to get money, and (b) to enable these released "work-wage-slaves" to buy and use the goods and services that can be made more efficiently without their labour. Without the National Dividend a modern community is bound to have an ever-increasing horde of poverty-stricken unemployed. There is no solution in the idea that "everyone could be employed a few hours a day," because before long *only a few* will be required to work even a few hours a day! These few—a highly skilled minority of production technicians—ought to be paid for their services to the community over and above the National Dividend. That is the only logical solution to this Power-Age

"problem," which is not really a problem at all, but a *fear-of-leisure* hangover from the Ages of Scarcity. A Social Credit Government will, however, leave this question to be settled by the community. If a majority decide that "everyone must do his or her quota of work," such a work-decree will come into force. But after a time, sooner or later, people will discover that the common-sense plan is for those to work who are best able to do the job, and who love doing it.

13. WHERE IS THE MONEY TO COME FROM?

FROM THE NATIONAL Credit Office where it will be created by entering up the financial value of the Nation's Credit—i.e., its ability to produce Real Wealth (goods and services).

People ask: "Where is the money to come from?"—as though money were some kind of Sacred Ju-Ju-Magic. That, of course, is nonsense. Money—i.e., Credit—is created by the Bankers "out of nothing," and at very little cost; and banking is, in fact, first of all a money-creating and then a money-lending business. But, in a Sane Economic System, money will not be a commodity. It will be merely tickets-for-goods, having no special value in itself.

14. WHAT IS THE PRICE ADJUSTMENT, AND WHY IS IT REQUIRED?

IT IS A calculation designed to "close the gap" between the total buying-power of individuals and the total prices of goods ready for sale. By means of this calculation goods will be sold to the consumer below cost (as now calculated). The technical formula can be set out as follows:—

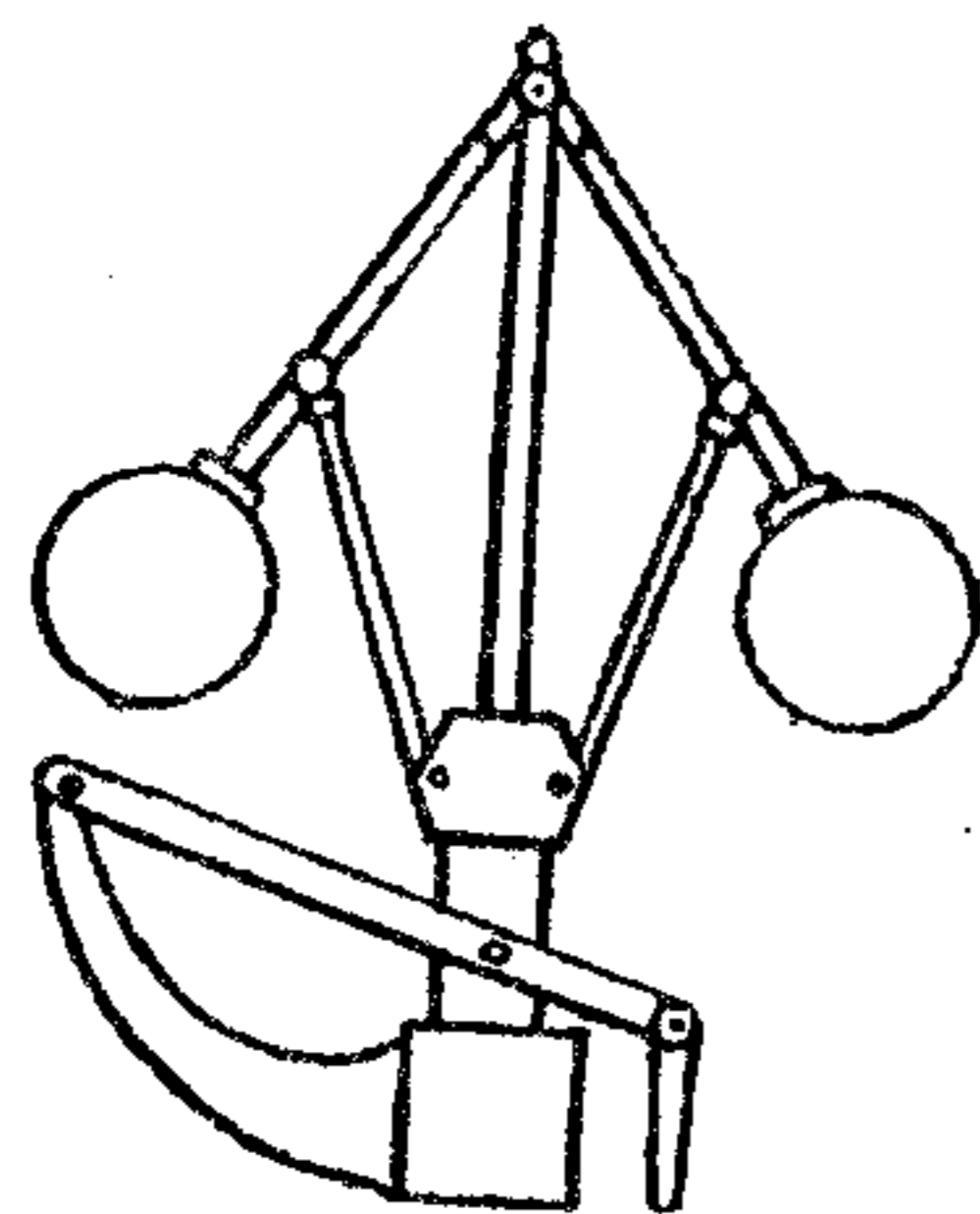
$$\begin{aligned} \text{Cost} & : \text{Price} & : & : \text{Production} & : \text{Consumption.} \\ & & & & \therefore \text{Price per ton} = \\ & & & & \text{Cost value of Total Consumption.} \\ \text{Cost per ton} \times & \frac{\quad}{\quad} & & & \text{Money value of Total Production.} \end{aligned}$$

A simple explanation of this formula is: that the scientific price of any article to the consumer is the cost of consumption ("using up" of other articles) during the period of production.

Anyone can see that this is plain common sense, without necessarily being able to understand the formula itself.

It is required (1) to counteract inflation, and (2) to regulate production in relation to consumer demand.

The Price Adjustment at the retail end is the most important part of the Social Credit technique. It eliminates the "boom" and "slump" of the Bankers' Debt-system. In effect, it is like the governor on an engine. It regulates the flow of buying-power in relation to production. It makes sure that total spendable incomes equal total retail prices. That means that people can buy the goods and services produced and offered for sale.

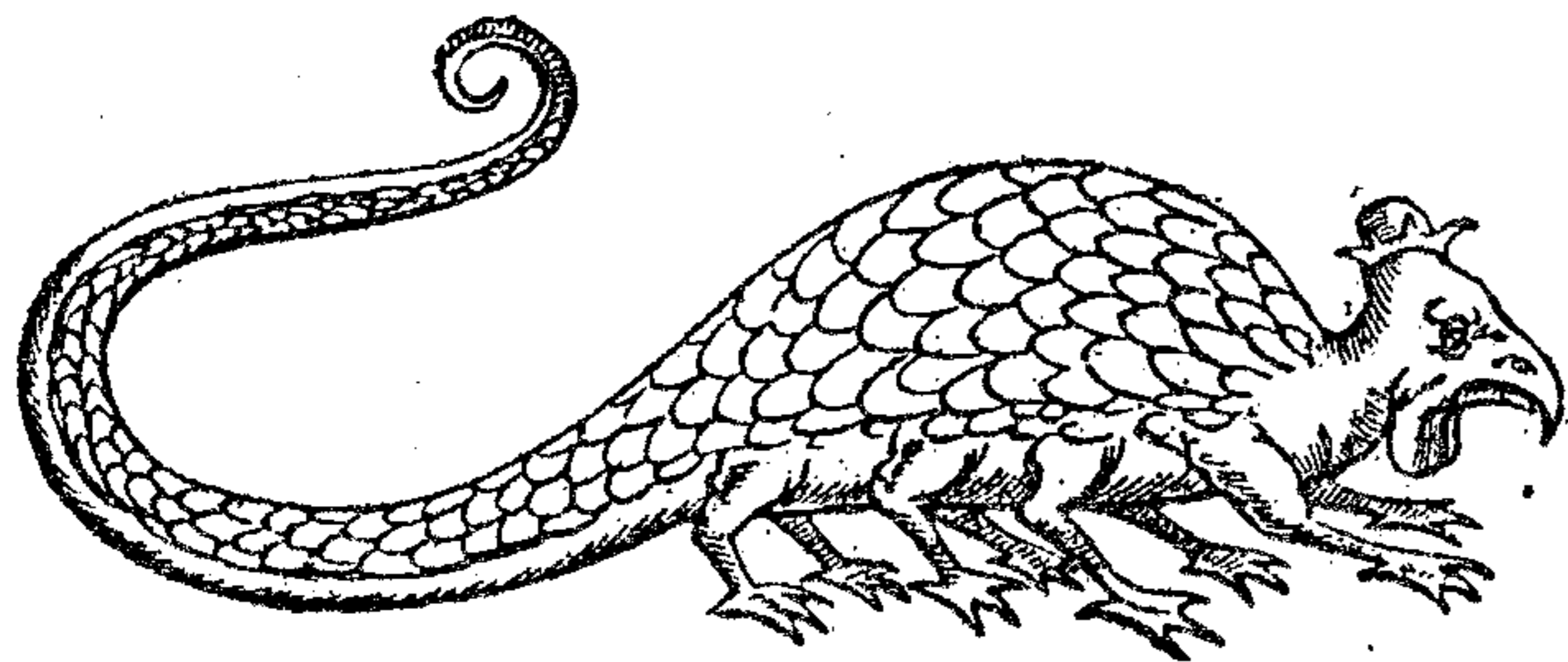


The simple or Watt's type of governor on an engine, which prevents it from "romping" too fast and also from slowing down.

15. WHAT DO ECONOMIC EXPERTS THINK ABOUT SOCIAL CREDIT?

THERE ARE NO "economic experts" because economics as preached by orthodox economists is not a science but a mystagogy wrapped in pseudo-technical jargon.

Those who call themselves, or are supposed to be, "economic experts," usually consider that Social Credit is "based upon a fallacy."



Economic Expert discovering the "fallacy" in Social Credit.
(Basilisk from Aldrovandus.)

16. WHAT IS THE "FALLACY" THESE "ECONOMIC EXPERTS" THINK THEY DISCOVER—AND WHAT IS THE SOCIAL CREDIT REPLY?

THAT AS "B" costs have been paid out as wages, salaries, dividends, or profits *in the past*, they are available as consumer buying-power *in the present*; and that therefore the public has all the money needed to buy all the goods and services ready for sale to the final consumer.

The Social Credit reply is: that money spent yesterday cannot be spent again to-day. A spent coin is like a spent bullet—and so is a spent £1 or 10s. note. Buying-power once used is buying-power exhausted—cancelled. "A" costs become "B" costs, but "B" costs never become "A" costs again. It is no use adding together:—

(1) Money spent yesterday	..	£10 ("B" Costs)
(2) Money ready to spend to-day	..	£10 ("A" Costs)
		£20

—and pretending that you *now* have £20 with which you can buy goods priced at £20, when in fact all you *now* have is £10, and it cannot buy goods priced beyond that sum. Thus, you cannot spend to-day what you spent yesterday—and this applies to each individual, and to all groups of individuals.

17. WHY ARE SOCIAL CREDIT ADVOCATES SO MUCH AGAINST THE BANKERS?

BECAUSE THE BANKERS operate a system that places the whole community in financial debt to them, and forces the community to go on borrowing from them.

"Well," you may say, "is there anything wrong about that?" The answer is: Yes, very wrong. You know that an individual who is in debt financially is always under the thumb of someone else—i.e., the person from whom he has borrowed. That is why most people try not to "get into the hands of moneylenders"—little knowing that they are in the hands of moneylenders (the Bankers) from the day they are born, and even before.

A community that is in debt financially is under the thumb of someone else—i.e., the Bankers from whom they borrow their own credit. The results of this are extremely dangerous. Suppose the community needs ships, or the development of agriculture, or new schools and hospitals. Instead of setting to work to make and do these things, they are told, and actually come to believe, that "the

cost is prohibitive"—in spite of the fact that, quite obviously, what is physically possible, is, and must be, financially possible. And so, because of the Myth of Financial Debt, they let their shipyards stand idle, let their fields and farms go to rack and ruin, let their children go to schools that ought to be pulled down, and put up notices saying: "The So-and-So Hospital is Falling Down! Please give your pennies to our Rebuilding Fund." This can lead to a state of affairs in which the community is so unprepared in the organisation, equipment, and training of its Army, Navy and Air Force, that it is in danger of being attacked, blockaded, starved out, and invaded. Britain was in that position in 1939. And we shall be in the same position again a few years after this Hitler-war—*if we allow the Bankers to keep us sunk in debt.* "Out of debt, out of danger," says the old proverb, and very true it is.

So you see, now, why Social Credit advocates are so much against the Bankers?

18. IS THERE ANY EVIDENCE TO SHOW THAT BANKERS AND FINANCIERS WIELD A LIFE-AND-DEATH POWER OVER THEIR FELLOW MEN?

PLENTY. I COULD compile a large book full of it. Here are a few of the "exhibits" that would be included:—

(1) From *The Financial Times*, September 26, 1921: "Whoever may be the indiscreet Minister who revives the money-trust bogey at a moment when the Government (Lloyd George's) has most need to be polite to the banks, should be put through an elementary course of instruction, in fact, as well as in manners. Does he, do his colleagues, realise that half a dozen men at the top of the five big banks could upset the whole fabric of Government finance by refraining from renewing Treasury Bills?"

(2) Meyer Rothschild, father of the House of Rothschild and founder of the great chain of banking houses throughout the world, said: "Permit me to issue the money of a nation and I care not who makes its laws."

(3) From the *United States Bankers' Magazine* of 1892: "We must proceed with caution, and guard well every move made, for the lower orders of people are already showing signs of restless commotions. Prudence will, therefore, dictate a policy of apparently yielding to the popular will until all of our plans are so far consummated that we can declare our designs without fear of any organised resistance. The Farmers' Alliance and the Knights of Labour organisations in the United States should be carefully watched by our trusted men, and we must take immediate steps to control these organisations in our interests or disrupt them. The coming

Omaha Convention, to be held July 4th, our men must attend and direct its movements, or else there will be set on foot such antagonism to our designs as may require force to overcome. This, at the present time, would be premature. We are not yet ready for such a crisis. Capital must protect itself in every possible manner through combination and legislation. The courts must be called to our aid. Debts must be collected, bonds and mortgages foreclosed as rapidly as possible. Where, through a process of law, the common people have lost their homes, they will be more tractable and easily governed through the influence of the strong arm of government, applied by central power of imperial wealth, under the control of leading financiers. The truth is well known among our principal men now engaged in forming an imperialism of capital to govern the world. While they are doing this the people must be kept in a condition of political antagonism. The question of tariff reform must be urged through the organisation known as the Democratic Party, and the question of protection and reciprocity must be forced to view through the Republican Party. By thus dividing the voters we can get them to expend their energies in fighting over questions of no importance to us, except as teachers to lead the common herd. Thus by discreet actions we can secure all that has been so generously planned and successfully accomplished."

(4) Extracts from a letter written from London by the firm of Rothschild, the well-known international bankers, to their New York Agents, when arranging to introduce modern banking methods into America. "The few who can understand the system will either be so interested in its profits, or so dependent on its favours, that there will be no opposition from that class, while, on the other hand, that great body of people, mentally incapable of comprehending the tremendous advantage that Capital derives from the system, will bear its burden without complaint and, perhaps, without even suspecting that the system is inimical to their interests."

19. IS IT THE BANKERS, OR THE SYSTEM THEY OPERATE, THAT SOCIAL CREDIT ADVOCATES WISH TO ABOLISH?

THEY WISH TO abolish the debt-generating system operated by the Bankers. By abolishing financial debt, Social Credit will so modify the system as to remove the evils that inevitably result from its present operation.

Under Social Credit the Bankers will be required by law to operate a debt-free monetary system, and, by thus modifying the technique of credit-accountancy, Social Credit will entirely "evaporate" the power of the Bankers, confining them to their proper work, which is: to act as the bookkeepers of the nation's Production and Consumption.

20. IS IT A FACT THAT BANKS CREATE CREDIT "OUT OF NOTHING" ?

YES, I'M AFRAID it is. It's hard luck for the so-called "economic experts" who made fools of themselves at the outset of the Social Credit revelation by asserting that "banks do not create credit out of nothing," that "banks do not create credit," and that "banks can only lend the money deposited with them by their customers." The facts, however, are otherwise, as you will see below:—

Encyclopædia Britannica, vol. 15, under "Money": "Banks lend by creating credit; they create the means of payment out of nothing."

Encyclopædia Britannica (14th edition), vol. 3, under "Banking and Credit": "Banks create credit. It is a mistake to suppose that Bank Credit is created to any important extent by the payment of money into the Banks."

William Paterson, born 1658, the Scots economist and financier, who founded the so-called "Bank of England," said, in explaining his scheme at the time: "The Bank hath benefit of interest on all moneys which it creates out of nothing."

R. G. Hawtrey, Assistant Secretary to the Treasury, in a B.B.C. broadcast, March 22, 1933, said: "I agree with him (Douglas) that Banks create money, and that trade depression arises from faults in the Banking System in the discharge of that vital function."

The late Reginald McKenna, Chairman, the Midland Bank, and ex-Chancellor of the Exchequer, addressing the shareholders of the Midland Bank, January 29, 1920, said: "When a bank makes a loan to a customer or allows him an overdraft in the ordinary course the loan will be drawn upon, or the overdraft will be made, by cheque drawn by the customer upon the bank and paid in to someone's credit at the same or another bank. The drawer of the cheque will not have reduced any deposit already in existence because we are supposing a case in which he has been given a loan or allowed an overdraft. The receiver of the cheque, however, when he pays it into his own account, will be credited with its value and thereby a new deposit will be created."

Addressing the shareholders of the Midland Bank, January 25, 1924, the late Reginald McKenna said: "I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money. The amount of money in existence varies only with the action of the banks in increasing and decreasing deposits and bank purchases. Every loan, overdraft, or bank purchase creates a deposit, and every repayment of a loan, overdraft, or bank sale destroys a deposit."

Addressing the shareholders of the Midland Bank, January 22, 1930, the late Reginald McKenna said: "The Bank of England is

the supreme authority in determining the quantity of money available for the use of the public."

The Report of the Macmillan Committee, 1929, page 34, para. 74, states: "It is not unnatural to think of the deposits of a bank as being created by the public through the deposit of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft, or purchasing securities, a bank creates a credit in its books which is equivalent to a deposit. . . . The bank can carry on the process of lending, or purchasing investments, until such time as the credits created, or investments purchased, represent nine times the amount of the original deposit."

In his great textbook, *The Theory and Practice of Banking*, H. D. McLeod, M.A., a recognised authority on the subject, states: "The essential and distinctive feature of a bank and a banker is to create and issue credit payable on demand, and this credit is intended to be put into circulation and serve all the purposes of money. A bank, therefore, is not an office for the borrowing and lending of money; it is a manufactory of credit."

A. L. G. Mackay, Professor of Economics, University of Rangoon, states: "By means of a loan, an advance, an overdraft, or by the cashing of bills, the banks are able to increase the volume of deposits in the community, and because of this process it is not correct to say that a bank loans out deposits which people make with it. It is clear that it creates the deposit by the issue of the loan; the loan travels back to the bank, or to another bank, and assumes the form of a deposit."

Branch Banking, July, 1938, stated: "There are enough substantial quotations in existence to prove to the uninitiated that Banks do create credit without restraint and that they create the means of repayment within themselves"

21. WHEN A BANK BUYS GOLD, WITH WHAT DOES IT PAY ?

A VERY AWKWARD question for any banker!

The correct answer is: It pays with paper—or rather *on* paper: for the payment is made by pen-and-ink book-entry only. It pays, in fact, with Promises to Pay!

22. IS NOT WORK THE ONLY WAY IN WHICH MONEY CAN BE CREATED ?

WORK DOES NOT create Money. It creates goods and services—Real Wealth.

You may work for weeks and months digging the ground, planting potatoes, and hoeing them. But when you go to dig them up—*will you dig up money?* No, your work has produced potatoes, not money.

The only activity that “creates money” is that carried on by the Bankers. No other activity creates money, nor does it create money-values. Work creates Real Wealth—goods and services—and nothing else (except perhaps backache and tired feet. . .)

You must learn to think clearly about Work and Money if you wish to understand Social Credit.

23. IS IT TRUE THAT ANYTHING CAN BE USED AS MONEY?

YES, IT IS—on condition that everyone within the community accepts the particular kind of money. Thus, ears of corn, cowrie shells, beads, stones, hides of animals, salt, bars of iron, discs of gold, silver, copper and other metals, and scraps of paper have all been used as money.

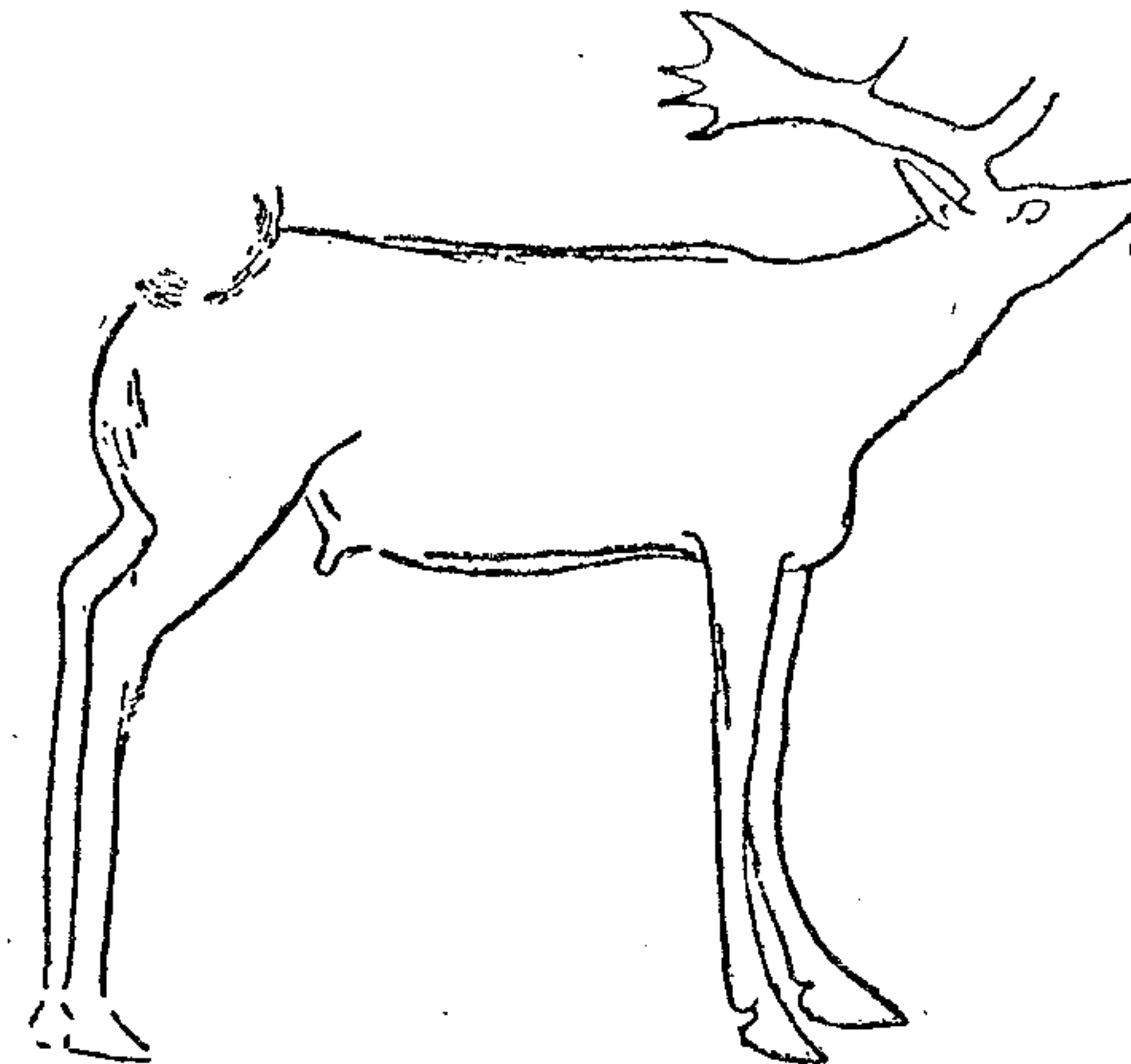
Paper money is the most convenient for a modern community, although it is by no means a modern invention. Paper notes, made (as Marco Polo tells us) from the fine inner skin of the bark of the mulberry tree, and printed by wood-block process, were in use in China, 1260 to 1294, during the reign of Kublai Khan, and perhaps long before that.

Certainly anything can be used as money. When, in 1664, there was not enough coined money in Canada to pay the King's troops, numbering 400 men, M. de Meules, the Administrator of New France, hit upon the idea of “making” the needed money by signing “bonds” written on playing-cards and putting them into compulsory circulation; an act later approved by Louis XIV. Each playing-card was cut into four pieces, each piece having the “value” assigned to it, written by hand, and the personal signature of the Governor and the Provincial Administrator. In this way M. de Meules created the banknote type of money. It was not a bill of exchange nor a letter of credit—as used by the bankers of the 13th century—but a veritable banknote. Some of this “card money,” as it was called, was to be seen in the Colonial Museum in the Paris Exhibition of 1931.

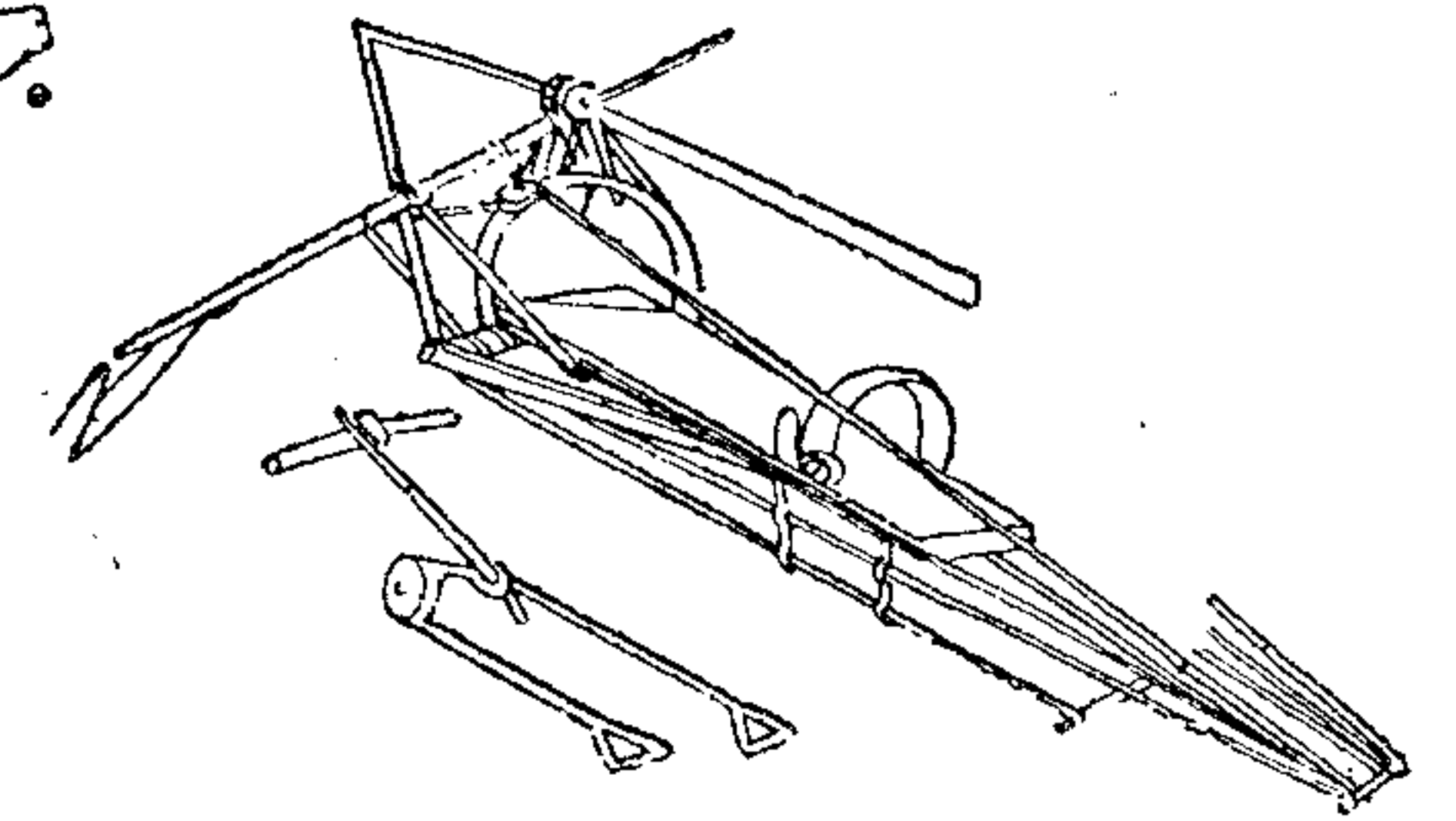
These fiduciary pieces of playing-card currency were meant to be no more than a temporary makeshift. Every year, usually in October, those who had this card-money were invited to hand it in and convert it into bills of exchange on Paris resembling Treasury bonds. But the Canadians preferred to keep and use these quartered playing-cards, and some of them even wanted to barter bills of exchange for them! Certain Boston merchants, living in Quebec,

seeing how well this card-money functioned, proposed in 1690 that the province of Massachusetts should pay off its public debt by means of similar money. The suggestion was agreed to, but the Puritans had no playing-cards, since they looked upon them as “instruments of the Devil.” So they used plain pieces of cardboard written by hand, which they found did just as well.

PART OF OUR CULTURAL INHERITANCE.



Prehistoric drawing of reindeer.



Leonardo da Vinci's design for a flying machine.

24. WHAT IS “THE CULTURAL INHERITANCE” THAT SOCIAL CREDIT PEOPLE TALK ABOUT?

IT IS THE total advantage to each one of us of the work of such men as Archimedes, Pythagoras, Galileo, Leonardo da Vinci, Roger Bacon, Paracelsus, Francis Bacon, Shakespeare, Johannes Gutenberg, William Caxton, Isaac Newton, James Watt, Richard Arkwright, George Stephenson, Edmund Cartwright, James Hargreaves, Samuel Crompton, Humphrey Davy, Gabriel Fahrenheit, Michael Faraday, William Harvey, Johann Kepler, Nicholas Kopernick (Copernicus), and a thousand and one others, who, by the power of their imaginative insight, produced many inventions and discoveries, thereby

T O the right noble right excellent & vertuous prince
George duc of Clarence Erle of warwikk and of
Salisbury grete Chamberlajn of Englonde & lieutenant
of Iretonde oldest broder of kynge Edward by the grace
of god kynge of Englonde and of france.

A specimen of Caxton's printing.
(From the introduction to the “Book of Chess,” 1475.)

giving us the "cultural inheritance" that enables us to organise a Power-Age of Abundance and Leisure for All.

This inheritance from the past—all these inventions, devices, techniques, arts, sciences, modes of thought—belong to each and every one of us. They belong to the whole community, and cannot belong to any particular person or group. That being so, every man, woman and child is entitled to a fair share of the "cultural inheritance," and Social Credit makes this possible by means of a National Dividend.

25. WHAT IS "THE INCREMENT OF ASSOCIATION" THAT SOCIAL CREDIT PEOPLE TALK ABOUT?

TEN MEN TOGETHER—in association—can do what ten men separately cannot do. The outcome of such work-in-association is the "increment of association"—that is: Real Wealth (goods and services) produced by working together, instead of each man alone.

In a modern Power-Age community every individual is entitled to his fair share of the "increment of association," even if his or her quota of work is not needed in the Productive System. That is because the Productive System is able to produce enough and to spare for all, and if it is not taken up and used it will have to be scrapped—or Production cut down—which is absurd. Social Credit makes it possible to distribute a fair share of the "increment of association" to everyone by means of a National Dividend.

26. WHAT ARE "THE WAGES OF THE MACHINE" THAT SOCIAL CREDIT PEOPLE TALK ABOUT?

THEY ARE THE wages that would have been paid to human beings if machinery and improved processes had not made their labour partially or wholly unnecessary. Under the present Work-Wage System, human beings released from the Productive System are left practically without buying-power except for a miserable "dole." In the past these people have been called "The Unemployed."

The Social Credit National Dividend is, in reality, the "Wages of the Machine" that will enable the unemployed, and everyone else, to take up and use the goods and services produced with less and less human labour.

27. ISN'T SOCIAL CREDIT A "SOMETHING FOR NOTHING" SCHEME?

WHAT MAKES YOU think a "something for nothing" scheme is wrong? When the Sun shines upon the Earth there is no charge for the stream of Solar Energy we receive. It comes to us free of charge. *It is something for nothing.* Yet without this stream of Solar

Energy there would be no life of any kind on this planet—not so much as a blade of grass!

Solar Energy is God's gift to man. Social Credit is a method for allowing God's gift to man to be used—in the form of goods and services—by everyone.

28. BUT SURELY IT IS IMPOSSIBLE TO GET "SOMETHING FOR NOTHING"?

THAT IS NONSENSE. And it is Bankers' nonsense. I have just stated, in answer to the foregoing question, that the whole of Creation is, in fact, a something-for-nothing scheme. It is perfectly possible to get "something for nothing." You do it every moment of the day, when you breathe the air, and when you see with your eyes by the light of the sun.

It is quite true that you cannot get "something from nothing" nor can matter be changed from one form to another without expending energy—but that is totally different. We are not proposing to attempt to get something from nothing. We are proposing to take and use Real Wealth, which is a product of Solar Energy.

29. DOES PLENTY REALLY EXIST?

IN PEACE-TIME IT certainly does. Have a look at the items listed in answer to Question 30, *Were Consumable Goods that could have been used Really Destroyed on a Large Scale?*

"If an engineer dictator over industry could be appointed, and given complete control over raw materials, machinery and trained labour, he could flood, smother and bury the people under an avalanche of goods and service such as no Utopian dreamer ever imagined."—Ralph E. Flanders, President of the American Society of Mechanical Engineers, in 1937.

Here are further facts that reveal the Enormous Abundance ready for man's use:—

In 1925 Iowa was blessed with one of the biggest maize crops in her history. But Iowa looked upon it as a curse. As *The Times* said: "The bountifulness of Nature threatened her with financial catastrophe," and she was forced to go to the banks for help. Result: financial loans were granted to the farmers to enable them to withhold their maize from the market indefinitely.

In 1926 there were prospects of a bumper American cotton crop, estimated at 15,600,000 bales. This news of God's Providence filled Lancashire with dread and dismay. Yet a few years before they had been organising all sorts of movements and plans to prevent a world shortage of cotton.

In 1933 salt water appeared in some of the East Texan oil wells, indicating that this oilfield's best days were over. The report in the *Financial Times* (June, 1933) said: "Oilmen feel that, with the unmistakable signs of salt water this field has shot its bolt and that better days are ahead for the oil industry, from crude to petrol. The feeling is that the big record-making production of the East Texas field is no longer the menace it has been to the oil industry."

The U.S. Secretary for Agriculture, Mr. Wallace, announced that the maximum tax under the Agricultural Relief Act would be levied to pay benefits to farmers and to finance operations for a gigantic crop reduction for three years. (*Financial Times*, June, 1933.)



Crodon,
The Saxon God of Plenty.
(From a woodcut of 1656.)

30. WERE CONSUMABLE GOODS THAT COULD HAVE BEEN USED REALLY DESTROYED ON A LARGE SCALE?

HERE IS A mere fraction of the record of deliberate destruction as published in the Press:—

Enormous sabotage of food supplies by allowing 2,500,000 acres of English arable land to go out of cultivation between 1919 and 1930. 'Bumper Wheat Crops in Canada—Crushing Blow to Markets.' (*Daily Herald*, 1932.)

"Sugar position 'improved' by destruction in Cuba." (*Daily Express*, 1932.)

"Holland destroyed 100,000 pigs." (*Evening News*, 1932.)

"Hurricane 'helps' sugar position in Cuba." (*Daily Express*, 1932.)

"Portugal destroyed 10,000,000 gallons of wine." (*Daily Express*, 1932.)

"France 'welcomed mildew' to reduce wine output." (*Evening Standard*, 1932.)

"Holland burnt 15,000,000 flower bulbs." (*Sunday Pictorial*, 1932.)

"Irish beer poured into the gutter." (*Times*, 1932.)

"Russian failure of wheat crops 'brings better prospects.'" (*Daily Express*, 1933.)

"France fines farmers for increasing acreage." (*Times*, 1933.)

"2,000,000 tons of sugar 'withheld from market.'" (1933.)

"U.S.A. ploughs in 25 per cent. of cotton crop." (*Evening News*, 1933.)

"Up to the middle of September, 1933, approximately 22,250,000,000 sacks of coffee had been thrown into the sea, burnt, and made into briquettes and used as fuel." (*Daily Herald*, 1933.)

"U.S.A. destroyed 2,000,000 sows, and 4,000,000 little pigs." (*New Democracy*, 1933.)

"International plan for destruction of cocoa." (*Evening News*, 1933.)

"British farmers forced to kill cattle too soon." (*Daily Express*, 1933.)

"225,000 sheep slaughtered." (*Observer*, 1933.)

"Herring glut threatens starvation." (*Daily Express*, 1933.)

"60,000 sheep slaughtered and burnt in San Julian area, Argentine." (1933.)

"Westminster Abbey painted with milk." (Photograph.) (*Evening News*, 1933.)

"Denmark incinerated 25,000 cattle." (*Sphere*, 1933.)

"French farmers rewarded for feeding animals on wheat." (*Daily Express*, 1933.)

"Canada, Argentine, and U.S.A. worried about 'too much bread' in 1936." (*Daily Express*, 1933.)

"Innumerable schemes for restriction of wheat acreage." (*Daily Express*, 1933.)

"Stoking railway engines with wheat in Canada." (*Star*, 1934.)

"Southend sells fish for manure." (*Daily Mirror*, 1934.)

"Brazil destroys over 26,000,000 bags of coffee." (*Evening Standard*, 1934.)

"Too much corn—Government hint at reduction plan." (*Daily Express*, 1934.)

"Scottish farmer dumping his potato crop into the sea." (*Star*, 1934.)

"5,000 lambs driven into the sea and drowned in New Zealand." (*Sydney Sun*, 1933.)

"U.S.A. ploughs in every third row of cotton." (*New Democracy*, 1933.)

"250,000 cwt. of hops destroyed, worth £2,000,000." (*Daily Herald*, 1934.)

"£15,000 in fines collected from potato growers for exceeding the acreage allowed by the Potato Marketing Board." (*Daily Express*, 1935.)

"Stornoway fishing fleet struck heavy shoals of fish on three successive days. Market glutted. About 1,700 crans sold at prices

ranging from 19s. to 33s. Samples representing another 1,500 crans lying on market floor without an offer." (*Daily Express*, 1935.)

That was in the "locust years" before the Hitler war. But even in war-time, with the whole nation fighting for its very existence, its food drastically rationed, and compelled to rely mainly upon home-grown supplies, many instances of deliberate food destruction—especially fish—were reported in the Press.

31. WHY ARE SOCIAL CREDIT PEOPLE SO COCKSURE OF THEMSELVES?

SIMPLY BECAUSE THEIR case is unanswered—and unanswerable. That is because it is based upon facts that anyone can observe, and, as the old proverb says: *A single fact is worth a shipload of argument.*

32. WOULDN'T IT BE BETTER IF THEY WERE LESS FANATICAL?

No. ONLY FANATICS accomplish anything.

33. IS IT POSSIBLE THAT ALL THE ORTHODOX ECONOMISTS ARE WRONG, AND THAT DOUGLAS ALONE IS RIGHT?

PERFECTLY POSSIBLE. Up to the time of Copernicus (1473-1543) all philosophers and learned men, and everyone else, believed that the earth was the fixed centre of the planetary system, and that the sun moved round the earth. *They were all wrong—and Copernicus alone was right.*

This occurrence, in which one man alone has been right and everyone else wrong, has happened time and time again in the history of mankind. It is therefore surprising that so many people to-day—with the examples before them of Copernicus, Kepler, Galileo, Newton, and many others—should doubt its possibility in the realm of economics.

34. ISN'T IT "TOO GOOD TO BE TRUE"?

EACH NEW DEVELOPMENT of human understanding has always seemed "too good to be true" to those who feared the coming change.

PART II

HOW WILL SOCIAL CREDIT WORK?

35. CAN SOCIAL CREDIT BE INTRODUCED INTO ONE COUNTRY ALONE?

YES, IT CAN—on condition that the one country has sovereign powers (not like Alberta which is only a Province), and the military power to resist any attempt by other countries to stop it by force. That is why the Social Credit movement concentrated its main efforts in Britain and the United States before the war.

36. WHO WILL DO THE "DIRTY WORK"?

IT WILL BE done, as much as possible, by automatic machines and improved processes designed to require as little attention by human beings as possible. What "dirty work" is required to be done by human beings will be well paid for over and above the National Dividend. There will always be people ready to do uncongenial work provided that the inducement is congenial (i.e., adequate pay and short hours). And, apart from any such inducement, there are more "Mark Tapleys" in the community than are dreamt of in our bank-ridden philosophy.

37. SUPPOSE A GANG OF FORGERS AND SWINDLERS COUNTERFEITED LARGE AMOUNTS OF NATIONAL DIVIDEND MONEY, AND PUT THIS "BAD MONEY" INTO CIRCULATION—WOULDN'T THAT UPSET THE WHOLE SCHEME?

NOT IN THE least. It would simply mean more buying-power in the pockets of consumers. This would tend to stimulate production, if production could be stimulated by more consumer-demand for goods and services. If production was already going at full capacity, some people would find that they had "surplus money." That might annoy them, but it would not upset a Social Credit régime. The surplus money would not affect prices, because the Price Level would be maintained in accordance with productive capacity.

Thus the appearance of the new ("bad") money would be a signal that industry was required to expand, and if it could, it would. So the "bad" money would tend more to consolidate the "scheme" than upset it.

Of course, a Social Credit Government would catch and convict the forgers, because public opinion would not tolerate the idea of a "gang" manufacturing money *ad lib* for its own benefit. No one has any right to fix his own rations. But the point is that

the so-called "bad" or "illicit" money could not upset the smooth-running of a Social Credit régime.

In this connection note the word "illicit." It was repeatedly used and emphasised during the famous action brought by the Bank of Portugal against Messrs. Waterlow & Son, when the situation supposed in the above Question actually took place. A person called Marang got Waterlows, who were currency-note printers to the Portuguese Bank, to supply him with currency notes to the value of £1,000,000 on the pretence that he was the agent for the bank. These notes he took to Portugal, where he passed them into circulation, buying goods, property, paying taxes, and so on. There is a proverb: "Handsome is as handsome does," and this so-called "illicit" money did everything that the legal money was doing. The joke in this case was that both sorts came from Messrs. Waterlows! Well, the fraud was detected after a considerable time (some bank official noticed two notes bearing the same number). Whereupon, the Bank of Portugal solemnly went through the farce of withdrawing Marang's illicit "Waterlow-notes" and exchanging them for legal "Waterlow-notes," which it got Waterlows to print for that purpose. And, to crown the whole Alice-in-Wonderland procedure, five Lords Justices who tried the final Appeal in the House of Lords could not agree (3 against 2) what damage had been sustained by the Bank of Portugal. And since no other parties had been affected (for every holder of an illicit note had got a legal note in exchange)—well, there you are! (See judgments pronounced on April 28, 1932.)

The fact is, of course, that *any* money that will buy goods and/or services is *good* money, whether it happens to be issued by a bank or by a "gang of forgers and swindlers." A "blackleg" worker is not a bad worker: neither is a "blackleg" pound note.

38. HOW WILL THE PUBLIC SERVICES BE PAID FOR?

PUBLIC SERVICES WILL be a direct charge on the National Credit, and the necessary credits will be issued via the National Credit Office. In effect, a Social Credit Government will say: "Can the community afford an efficient Forestry Service?" (or whatever it may be). If the land, equipment, and personnel for such a service are available, then, obviously, the community *can* "afford" it—because what is physically possible is, and must be, financially possible. All that remains to be settled is whether such a service is desirable and/or necessary. These are questions that ought to be settled by the individuals composing the community, after they have had the opportunity of hearing the arguments for and against.

39. HOW WILL THE BUDGET BE CALCULATED?

A TAXATION BUDGET will not be required, but a Real Wealth Budget showing national Production (plus Imports) and National Con-

sumption (plus Exports) will be drawn up, presented to Parliament, and made known to the public. In reality, it will be a National Stocksheet, showing in terms of cost-values how much has been added to the nation's wealth, and how much subtracted, during a given period. The first will always exceed the second (except for a natural catastrophe), and so there will always be a surplus over the accounting period; and this, after the Government's consumption has been subtracted. So the old-style "problem" of "balancing the Budget" will be turned upside down. Instead of requiring the collection of taxes to recover a deficit, it will require the distribution of a National Dividend to dispose of a surplus.

Here is a specimen of a Real Credit Budget, drawn up by A. L. Gibson, Fellow of the Institute of Chartered Accountants, and a Social Credit advocate. Please bear in mind that the figures in this specimen are merely token-figures to illustrate the method of drawing up such a budget:—

At convenient intervals—quarterly, half-yearly, or yearly—a Social Credit Government will have prepared a

REAL CREDIT BUDGET.

Dr.	£	Cr.	£
IMPOVERISHMENT.	millions	ENRICHMENT.	millions.
1. CONSUMPTION.		1. PRODUCTION.	
(a) People's Goods sold		(a) People's Goods ..	1,100
retail (including		(b) Business Goods ...	700
National Dividend		(i.e., Capital Goods,	
spent)	1,100	Intermediate Pro-	
(b) Wear and Tear (De-		ducts, Semi-Manu-	
preciation of Busi-		factures)	
ness Equipment)	200		
2. EXPORTS.		2. IMPORTS.	
(Real wealth lost by		(Real wealth received	
us)	200	by us)	200
TOTAL IMPOVERISHMENT..	1,500		
Balance carried down ..	500		
	£2,000	TOTAL ENRICHMENT ..	£2,000
		Balance brought down	
		NET ENRICHMENT ..	£500
		Net Enrichment	500 1
DISCOUNT		Total Enrichment	2000 4
			25%

(These figures are merely illustrative.)

40. HOW WILL THE PRICE ADJUSTMENT WORK ?

THE RETAILER WILL be required by law to sell at the Just or Scientific Price—i.e., below cost (as now calculated)—and the difference will be reimbursed to him by the National Credit Office via the Local Credit Office (or bank). This will enable the retailer to pay full costs plus profit (i.e., service charge) to the wholesaler, and the wholesaler will be able to pay the producer, and the producer will be able to meet all costs of production.

This price-discount rate will be regulated by the relationship of Production in general to Consumption in general. If production increases faster than consumption, as it usually does, there will be more goods for distribution. The price to the consumer will drop accordingly. Such a price-drop will enable the community as consumers to keep pace with the increased production, and will prevent any "slump" in production so long as any real want remains to be satisfied. If, on the other hand, people buy goods faster than they are being made, the price will rise accordingly. This will slow-down buying, and indicate the need for increased production.

The National Credit Office will periodically announce the price-discount level in accordance with the ascertained facts of the previous cycles of Production and Consumption. This will be an over-all discount rate covering the retail prices of all goods ready for sale. Thus, over one period, a discount rate of 1 per cent. might be announced, and in the following period a discount rate of 3 per cent. This would show that production had risen and called for the drop in prices announced.

41. AS THERE IS A "GAP" TO FILL BETWEEN CONSUMER INCOMES AND RETAIL PRICES, HOW MUCH WILL BE FILLED BY THE NATIONAL DIVIDEND, AND HOW MUCH BY MEANS OF THE PRICE ADJUSTMENT ?

THIS WILL DEPEND on how rapidly it will be possible to release human beings from the work-wage-system by introducing more and better automatic machinery and processes. This depends upon new and better inventions.

1. If people can only be very gradually released from the earning-a-living toil of machine-minding and other work that might be done quicker and better by automatic mechanisms, the "gap" will be filled mainly by means of the Price Adjustment.

2. If the release from machine-drudgery and other monotonous and soul-destroying work can be speeded up, the "gap" will be filled mainly by issuing an increased National Dividend.

To begin with the "gap" could be filled gradually on a 50/50 basis: half by means of Dividend, and half by lowering retail prices.

(It must never be overlooked that the National Dividend is designed to provide for those who are not required in the Productive System of the community as a whole.)

42. HOW MUCH WILL THE NATIONAL DIVIDEND BE TO START WITH—AND HOW MUCH COULD IT BECOME ?

IT WILL DEPEND upon the level of production at the time it is issued. It would not be less than 30s. a week per person, and probably much more. At the end of March, 1936, a group of 2,000 scientists, after 18 months of careful investigation, arrived at the conclusion that the *minimum* income based on production in Great Britain at that time should not be less than £317 per average family of four. That is, roughly, £75 per person. Since then, however, our power to produce goods and services has increased enormously.

In order to "run it in" smoothly, it might be expedient to issue the National Dividend "in small doses," increasing steadily month by month, and year by year, up to the limit of production, or until the actual physical limit of consumption has been reached.

As to how much it could become: it will depend entirely upon the actual production of Real Wealth—goods and services—plus imports. A victorious Britain should be in a position to monetise its Real Wealth in the form of a National Dividend for all citizens of no less than, say, £75 a year per person. And this sum should increase steadily, as peace-time production of consumer goods increases, to £100 a year—£200—£300—and possibly £500—without difficulty.

43. WHO WILL BE ENTITLED TO DRAW THE NATIONAL DIVIDEND—AND WILL IT BE PAID TO CHILDREN ?

EVERY INDIVIDUAL WHO has reached the school-leaving age, who is legally recognised as a British subject and who has lived in Britain for, say, two years or more, should be entitled to draw the National Dividend.

It will probably not be paid directly to children. Some arrangement might be made whereby it could be drawn, if required, by the parents or guardians, to be expended for the benefit of the child until the legal age is reached, which may be fixed at the school-leaving age. Thereafter, the child will be entitled to draw its own National Dividend. If not drawn by the parents or guardians,

the child will be credited with the yearly amount in the Post Office or bank (i.e., Local Credit Office) and it can be drawn as a lump sum, or as required, by the child upon reaching the legal age. Thereafter, the child, now growing to manhood or womanhood, can draw the National Dividend as an adult.

To be born into the world with Real Wealth waiting for you (instead of being born in Debt) may seem strange to us, but in certain African tribes where goats are "money," the tribe as a whole sets aside a certain number of goats when a child is born, so that it shall have a share of the tribal wealth to start with.

If ignorant (?) and poverty-stricken (?) savages (?) can provide for their children in this way, surely a highly cultured, civilised community, with all the advantages of modern science, should be able to do far more?

44. WON'T PEOPLE SAVE THEIR NATIONAL DIVIDEND, THUS NULLIFYING THE WHOLE SCHEME?

THEY WILL BE fools if they do. But, in fact, once Mrs. Smith has bought new shoes for the children, or a new hat for herself, Mrs. Brown will be likely to say: "I don't see why I shouldn't spend my National Dividend."

45. WILL INHERITED INCOMES CONTINUE PLUS THE NATIONAL DIVIDEND?

AT THE OUTSET, inherited incomes will continue plus the National Dividend, if people inheriting such incomes choose to draw the Dividend. But the whole practice of "Wills and Bequests" will tend to die out, along with all other forms of saving or hoarding.

People save money and leave it in their wills to their descendants (a) from a fear of poverty-in-the-future, and (b) in order to show how "successful" they have been! This tendency to save-and-leave money will gradually disappear in a Social Credit State. It will look, and be, unnecessary and foolish, because *everyone* will have an "inherited income"—the National Dividend—based upon the Cultural Inheritance and Increment-of-Association of past and present generations. Instead of "amassing wealth" and then leaving it to someone else, people will tend to spend their money while they are alive, knowing that their descendants will be adequately provided for by the National Dividend.

46. WILL A MILLIONAIRE RECEIVE THE NATIONAL DIVIDEND?

YES, IF HE chooses to draw it. Why not? There is plenty for all. But if not, he will in any case benefit by the price-discount.

"Oh, so under Social Credit there will still be millionaires?" I hear someone say.

Under Social Credit *everyone*—including millionaires—will have a birthright income (the National Dividend) based on the productive capacity of the total community. Under Capitalism the millionaires were a tiny fraction of the total population, and under Social Credit this tiny millionaire-class will tend to disappear as the National Dividend increases with production. Why? Because a man who is assured of a birthright income that can meet his needs from day to day, and who has no fear of the future, will not bother his head to amass a fortune. The "get rich quick" incentive will lose its force, and as the power of money is reduced by the Social Credit technique, so the desire to accumulate it will fade away.

47. HOW WILL YOU FIX AND CONTROL PRICES?

PRICES WILL NOT be "fixed," they will be adjusted. This means that they will rise and fall with the production of goods and services.

It is *their ratio to costs* that will be fixed from time to time, by agreement between the National Credit Office and producers.

Prices will be controlled by taking the general retail price-level at the time when Social Credit is introduced, and then announcing an all-over rise or fall periodically. (There would be no rise unless there was a natural catastrophe, or a war forced on the country.)

48. WILL NOT SOCIAL CREDIT LEAD TO INFLATION?

NO, HOW CAN IT? The Social Credit method of issuing any new consumer buying-power is always accompanied by a *fall in prices*.

1. An increase in the amount of the National Dividend will reflect an increase in the production of Real Wealth (goods and services).

2. An increase in production will change the Retail Price-Level, and total retail prices will drop accordingly.

If prices are falling, how can they (at the same time) be rising? In other words: how can there be inflation if, instead of rising, prices are falling? Those who assert that "Social Credit would lead to inflation" must answer this question logically, or admit that their inflation-fears are groundless. Never yet has there been a logical answer to this question from the critics of Social Credit. Always they conveniently ignore the working of the Price Adjustment—which is the vital mechanism of Social Credit.

By means of the two-fold synchro-meshed mechanism of National-Dividend-and-Price-Adjustment, inflation is absolutely impossible.

49. HOW EXACTLY WILL THE NATIONAL DIVIDEND BE CANCELLED?

IT WILL BE cancelled when you pay it to a retailer in exchange for goods or services. After that it is cancelled right through the system. It is then no longer consumer buying-power. The process is as follows:—

1. The Retailer, to keep solvent, must use it to pay the Wholesaler, retaining only an agreed profit, i.e., *his service fee*.
2. The Wholesaler, to keep solvent must use it to pay the Producer, retaining only *his* agreed profit or service fee.
3. The Producer, to keep solvent, must use it to pay production costs, retaining only *his* agreed profit or service fee.

50. WON'T A SOCIAL CREDIT STATE SUFFER FROM LACK OF IMPORTS?

No. ON CONDITION that it produces a Real Export Surplus, it will be able to get all necessary imports from abroad.

51. IS IT NOT A FACT THAT BRITAIN MUST EXPORT MANUFACTURED GOODS IN ORDER TO OBTAIN IMPORTS OF FOOD AND RAW MATERIALS?

IT WOULD BE a fact if Britain were unable to feed herself. After three years of World War II, however, Britain was able to grow two-thirds of her total food supplies, and it would not be difficult to grow the entire needs of the nation. (See "Britain Can Feed Herself," by G. P. Pollitt.)

As for raw materials: a great proportion of what we imported in the past was sent here in order that we might manufacture and then send it abroad again in return for food-imports. If we grow our own food—as we shall under Social Credit—much of the imported raw materials will not be needed.

In these circumstances agriculture would flourish, and we should enjoy our own home-grown farm produce. That is exactly what the health of the nation calls for.

52. HOW WILL A SOCIAL CREDIT BRITAIN PAY FOR NECESSARY IMPORTS?

BY EXPORTING ITS Real Surplus—i.e., goods not needed in the Home Market—via a National Import-Export Clearing House, and calculating the transaction in financial terms. The goods imported from abroad in return for this Real Export Surplus will be sold in Great Britain at the Scientific Price then prevailing.

The money-payments for imports will be made by (a) credits received from other countries for our Real Export Surplus, together with (b) special drafts on the National Credit should it be necessary to subsidise in this way

As the Real Export Surplus will consist of goods not required by the Home Market, they can be sold abroad at any price whatever.

No policy of "dumping" would be necessary, however, because (a) non-Social-Credit countries must find export markets, while (b) a Social Credit World would have no difficulty in arranging the exchange of Real Surpluses both of raw materials and finished goods via an International Import-Export Clearing House.

53. IS NOT GOLD THE ONLY WORKABLE BASIS FOR A FINANCIAL STANDARD OF VALUE?

No. It is ridiculous for a modern Power-Age community to measure Abundance by means of Gold-Scarcity. The attempt to do so created economic chaos in the 1930's, and almost every country was compelled to "come off gold" in order to recover from this bankers' idiocy.

What is wanted is not a "financial standard of value," but a common-sense Use-Value. Social Credit achieves this by its technique of balancing Total Spendable Incomes and Total Retail Prices—i.e., by making buying-power keep pace with production.

A Social Credit State will not use gold internally as a financial standard of value. It will, no doubt, be used by working goldsmiths, gem-setters, jewellers, and other craftsmen—and perhaps by dentists for dental fillings.



A goldsmith's shop.

(From a 14th-century woodcut.)