

**THE NATURE OF CREDIT  
SACRED AND PROFANE**

by

**T. V. HOLMES, M.A., LL.B. (Cantab)**

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# THE NATURE OF CREDIT, SACRED AND PROFANE

A Talk given to the Sixth Form of a Grammar School,

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The word 'Credit,' as you probably know, comes from the Latin word 'Credo,' meaning 'I Believe.' Hence the word 'Creed': 'I believe in God the Father Almighty, maker of heaven and earth . . .', 'Credit' and 'Belief' are virtually interchangeable terms. 'I believe' that a certain man is a good teacher, a good doctor, a good plumber, a good farmer — 'I believe' that he is worthy of Credit in his occupation. Similarly, 'I believe' that a certain firm is a good maker of cloth, a good builder of houses, a good manufacturer of motor cars — 'I believe' that it is a firm worthy of Credit in its activities. This is the REAL meaning of Credit — a concern with REAL things. It is essentially something that is based upon Belief, Confidence, Faith and Trust that REAL WORTH will be shown. It is essentially, by its very nature, something which is 'sacred.'

But there is another 'profane,' or commercial, meaning of the word. It is the Belief of the merchant that a man, or a firm, will in due time PAY for goods supplied. It is the Belief of the banker that a man, or a firm, will in due time REPAY the money he has been lent. And the difference between the REAL and FINANCIAL, the 'sacred' and the 'profane' meaning of the word Credit, is very great. A man or firm may be worthy of considerable Real Credit, but unless he can turn that Real Credit into Financial Credit, by the process of SELLING goods or services, his Real Credit will not be of much consequence, commercially speaking, either to himself or to the community. Only the man or firm who can SELL his goods or services at a PROFIT is worthy of being accorded Financial Credit, whatever his Real Credit may be.

Real Credit resides in the natural ability to produce wanted goods or services. It is God-given or God-acquired, in that it



is based upon a **natural** Belief held by man and his fellow countrymen that with their skill, invention and application they can produce all the goods and services they require for a full and satisfactory life.

**Financial** Credit, on the other hand, is neither God-given nor God-acquired. It is the Belief, held by a bank, that a man or firm will be able to **SELL** their goods and services **AT A PROFIT**. It implies a Belief that there are enough **BUYERS WITH MONEY IN THEIR POCKETS** with which to **PAY THE PROFITABLE PRICE**. For whatever certain politicians may say, no man in the commercial world produces anything **unless** it is **PROFITABLE** for him to do so.

Now all **MONEY** today, with trifling exceptions, is what is called 'Bank Credit.' It is something which only the Banks can **create**, and something which the Banks will only **issue** to the Public as a Bank Loan **CARRYING INTEREST**. This Bank Credit is sometimes 'plentiful,' sometimes 'scarce,' sometimes 'dear' and sometimes 'cheap,' according to decisions made by the Banking System. At the present moment Bank Credit in this country is both 'scarce' and 'dear.' The Bank Rate, which determines the 'dearness' of money, stands at 7 per cent. But that does not mean that the banker will grant everyone a loan of Bank Credit even if he is prepared to pay that price. A 'Credit Squeeze' is on. And as a consequence the **Financial** Credit of many firms, their ability to **PRODUCE** and **SELL** their goods and services **AT A PROFIT**, has necessarily declined through no fault of their own. Firms have been forced to close down, or go on short time. Workers have had to be laid off, or go on short time. And all because the firms in question can no longer **SELL** at a **PROFIT**. All because the Banks have decided to 'restrict credit' — to 'reduce their loans to industry.' The decision made by the Banking System has seriously affected their **MARKET**, i.e., their **MEANS OF SELLING**.

This is a recurrent feature of our present Financial Credit System. '**Americans facing up to a Credit Restraint**' is the heading of an article in the 'Sunday Telegraph,' October 10. This article states that the wheels of the American economy "have

been turning sweetly and profitably at high speeds with vast injections of credit, they will turn more slowly when the supply is reduced.' Remember that it is the Banking System, and not the Industrial System, which decided to make the 'vast injections of credit,' and that it is the Banking System, and not the Industrial System, which now decides to 'reduce the supply of Bank Credit. The quantity of Financial Credit which is available in the **MARKET** at any given moment is unquestionably **Bank-determined**. The Banking System acts, as it were, as the 'God Almighty' of the commercial and industrial world. 'He who pays the piper calls the tune,' says the proverb. The Banking System alone is able to **PAY** the piper, and as a consequence is alone able to 'call the tune' to which the Industrial System must 'dance.'

History could almost be called the 'history of delusions.' It was the Italian scientist, Galileo, who declared to an incredible world in the XVIIth century that the earth went round the sun, and not the sun round the earth — much to the annoyance of the intelligentsia of the period. Similarly, in our generation, it was a Scottish engineer, C. H. Douglas, whose name you have probably never heard, who declared to an incredible world that European society was suffering from the 'Great Delusion' that it was natural and necessary that 'Real Credit' should revolve round the 'sun' of 'Financial Credit,' and that unless the roles were altered — unless 'Financial Credit' was made to revolve round the 'sun' of 'Real Credit' — European society and its culture and civilisation were doomed to perish. Douglas revealed that the prevailing absurdity of forcing Real Credit to revolve round the Financial Credit of the Banking System must result in ever-increasing inflation of price and devaluation of currency, in ever-intensified 'cold war' between firms and nations for the sale of their goods and services, resulting in an ever-greater menace of a 'hot war' of death and destruction, and an ever-persistent drive within the nations themselves towards Social unrest, Revolution and Civil war which must inevitably culminate in the setting up of a World Communist State in which Absolute Power would be concentrated in the Government, and Absolute Powerlessness and Obedience would be the lot of everyone else.



Douglas announced his 'discovery' in 1921 in a book called '**Economic Democracy**,' and still Western society persists in treating the 'shadow' of wealth, the 'financial credit' as though it were the 'substance' of wealth, the 'real credit.' But "facts are cheels that winna ding," said the Scottish poet, Robert Burns, and the 'facts' which Douglas discovered more than forty years ago are increasingly haunting our civilisation and like Banquo's ghost at Macbeth's feast are refusing to be dispelled.

Why should this be? Why should money be treated with so much reverence? Money is an abstraction.. It has no reality in itself. In itself it may be either gold, silver, copper, paper, cowrie shells or broken teacups. Money has been defined as any medium which has reached such a degree of acceptability that no matter what it is made of, and no matter why people want it, no one will refuse it in exchange for his product. The **thing** which makes it money, no matter of what it is made, is **purely psychological**.

But there is such a thing as **psychological reality** which, even when based upon a delusion, can be as 'real' as **physical reality**, even when based upon a scientific fact. Money today may be no more than a **PERMISSION** granted by a **BANK** to **ACQUIRE** the **GOODS AND SERVICES** of the **COMMUNITY**. But that the **PERMISSION** constitutes the most valuable thing in the world — a 'Right of Access' to the community's 'Real Credit' potential. It may be only a 'Credit Instrument,' and not the 'Credit' itself. But so were the words 'Open Sesame' in the Arabian tale of Ali Baba, and they opened the door to fabulous wealth and treasure. The Worship of Money, however unreal it may be in the eyes of God, is still very much a **psychological reality** for the ordinary man — a **psychological** 'cheel that winna ding,' or only 'ding' very slowly.

There was a time, not so long ago, when Money was Gold, or supposed to be Gold, and for that reason carried world-wide authority. But that delusion was destroyed in 1914 at the outbreak of World War I. The Banks then confessed themselves unable to carry out their obligation to repay their clients' bank deposits in gold. The Banks were to all intents and purposes

'bankrupt.' Only the action of the Government in printing 'Treasury Notes' and forcing the Banks' depositors to accept these Notes in lieu of Gold sovereigns saved the Banks and the whole Banking System from 'bankruptcy.' Not that the 'Treasury Notes' were allowed to continue indefinitely in circulation. The Banks had no desire to see State Credit tokens substituted for Bank Credit tokens. Sometime in the 1920s the State gave up its right to issue 'Treasury Notes' and once again the 'Bank of England Note' enjoyed monopoly status.

And ever since 1914 it has been an offence for an individual to possess or hoard gold sovereigns. Ever since 1914 Bank Credit has had to be accepted by the community as a sufficient Financial Credit. Ever since 1914 the nation's Financial Credit has been the property and monopoly of the Banking System. Never again would it be possible for the Banking System, as a System, to know the meaning of 'bankruptcy.' Never again would it be menaced, as it was menaced for a few days during August, 1914. The Banks had, whether by wish or design, arrived at a position of vantage which far exceeded the utmost wish of King Midas. Everything the Banks 'touched' henceforth, in their financial capacity, would turn into 'Gold' — or rather into the 'Purchasing Power' with which to buy Gold, or anything else. Henceforth the Bank's I.O.U., the Bank's Credit was to rule the commercial and industrial world. But note this great difference. That which the Banks created and issued to the public might be called 'Bank Credit,' but in fact it had ceased to be the **CREDIT** of the Banks. It had ceased to depend upon **BELIEF** in the Banks. It had ceased to depend upon the **ABILITY** of the Banks to **DELIVER GOLD**, or anything else of **SUBSTANCE**, but **solely** upon the **ABILITY OF THE COMMUNITY TO DELIVER GOODS AND SERVICES**.

1914 to 1965, a period of just over 50 years, is a very short period in the history of mankind. And the delusion that Gold constituted the essence of Money and Wealth goes back many thousands of years. King Midas, you may remember, asked the gods to grant his wish that everything he touched should turn into gold. The mediaeval alchemists spent their lives searching for the 'philosopher's stone' with which to turn base metal into



gold. The Israelites were for ever worshipping the Golden Calf. The Bible is full of injunctions against the worship of Mammon.

If only King Midas had had the sense to wish that everything he touched might turn into goods and services ! But our generation, in a sense, has had that wish granted, even if we did not wish it. For economic production, properly considered, is no more than the conversion of one thing into another and is primarily a matter of energy, and it seems highly probable that both energy and production are only limited by our knowledge of how to apply them. Today pretty well everything man 'touches' with knowledge and understanding can be 'turned' into goods and services. Invention, automation, solar energy and science have done to man what gold did to Midas — placed him in a very embarrassing position indeed !

Nevertheless, as a society, we continue to be spellbound by the delusion that Money is Wealth, if not a great deal better than Wealth, and that it is only right and proper that Wealth should bend the knee to Money, and to those who control its creation and distribution — a delusion which the Banking System naturally does nothing to dispel. We still live under the delusion, for example, that the REAL COST of an article must necessarily be its FINANCIAL COST. We seldom attempt to think in terms of REAL COST. What does it really 'cost' the community to produce something which is said to 'cost' a million pounds ? The CONSUMPTION of so much solar energy, or so much raw material, of so many man-hours of labour and of so much wear and tear of plant and machinery. That is the REAL COST, and it is a 'cost' which new processes and new inventions are constantly reducing, requiring an ever LOWER CONSUMPTION of solar energy, of raw material, of man-hour labour, of wear and tear of plant and machinery. Yet all the time that the REAL COST — the COST of WEALTH CONSUMED — is decreasing, the FINANCIAL COST is increasing. Prices in the shops are for ever rising, which means that the Purchasing power of our currency is for ever falling. The Purchasing Power of the Pound Sterling, which in 1914 stood at 20/-, today (1965) stands at 4/-.

Why should this be ? A short answer would be that the creation of Bank Credit necessary to conduct two world wars, which was only LENT to the community AT INTEREST, has resulted in a colossal DEBT supposedly OWING by the community to the Banking System, which supposedly MUST ENTER INTO THE COSTS OF PRODUCTION. The National Debt now stands at some 30,000 million pounds, not to speak of Municipal and other Debt. DEBT, with its accompanying TAXATION and REPAYMENT CHARGES, is the main cause of our currency depreciation.

We have solved the problem of PRODUCTION, but we have not yet solved the problem of CONSUMPTION. Or rather, we have not yet solved the 'problem' of HOW to 'persuade' the Banking System to alter its methods of issuing and accounting Financial Credit. We have not yet solved the problem of HOW to 'persuade' the Banking System to CREDIT the Community with its REAL CREDIT, its Production of wanted goods and services, and to DEBIT the Community only with its REAL COST of Production, its CONSUMPTION of wanted goods and services. We have not yet solved the problem of HOW to 'persuade' the Banking System to give up its 'Credit Monopoly' — to give up its stranglehold over the Community's Real Credit, and to allow the Community, considered as Individual Buyers, to CONTROL, by their Purchasing Power, the NATURE or POLICY of Production, so that it may enjoy to the full its SOCIAL CREDIT INHERITANCE. We have not yet solved the problem of HOW to 'persuade' the Banking Power to abdicate its present World Monopoly Power and to descend to the humble role of 'servant' or 'accountant' of the Community's economic activities. And it could well be that this 'problem' never will be 'solved'. It could well be that the 'Credit Monopoly' will refuse to give up its Credit Power and will even prefer to see civilisation destroyed in a World War III, or forced to enter the prison house of a World Communist State — a Power based upon Collectivism and the worship of the Group Idea — rather than abdicate its Satan-granted power over the nations of the world — a Power which Jesus Christ purposely rejected when tempted by the devil in the wilderness.



WHOSE PROPERTY is the REAL CREDIT of a community — its ability to produce Goods and Services? WHOSE INHERITANCE is the community's culture, knowledge, know-how, and all that goes to the making of its Real Credit potential — the correct use of its land, labour, and invention? Is it the Property and Inheritance of the Community or of the Banking System? Are we in fact, as individuals and people, Men of Property, the Inheritors of Considerable Estate, or are we just Proletarians, possessing neither Property, Estate nor Inheritance in our own right, fit only for 'full employment' under constant supervision and restraint, with 'welfare state' hand-outs to be provided by taxation? Therein lies the drama of our present human predicament.

At the close of his first book, '**Economic Democracy**,' Douglas described his proposals as pointing the way "to a society based on the unfettered freedom of the individual to co-operate in a state of affairs in which community interest and individual interest are merely different aspects of the same thing." But Douglas realised that even if his proposals were accepted, "there would still remain the task of eradicating the hypnotic influence of a persistent presentation of distorted information, at any rate so far as this generation of humanity is concerned." A new generation has arisen and the 'hypnotic influence' would seem to be as strong as it has ever been. Neither clergy, party politicians, trade union leaders, big business executives nor university professors make any attempt to dispel it. Perhaps this talk may have done something towards dispelling that hypnotic influence so far as you are concerned. I hope so. The great Francis Bacon said, "We cannot command Nature except by obeying her." He expressed a hope that his efforts might restore "that commerce between the mind of man and the nature of things." His advice was taken, and modern science is the result. Douglas expressed a hope that his efforts might restore a **correct** commerce between the mind of man and the **TRUE NATURE OF CREDIT** — a much more difficult task. Yet, unless it is restored, the outlook for our civilisation and culture, for our individual freedom and independence, our property, inheritance and estate of human dignity, our **REAL** and **SOCIAL CREDIT**, must be dim indeed.