

---A SOCIAL CREDITER'S HISTORY OF ECONOMICS.---

All Social Crediters find themselves up against the baffling problem of how to persuade people to learn about economics. There is a very real lack of background knowledge of just what place economics, -or- more simply just the term "money", holds in our History.

There are umpteen large and impressive books on this subject of course,--but few people wish to "waste the time" needed to study them. In fact the writer finds such to be the ^{case} himself, since he finds that volumes have been written based on incorrect assumptions. Accordingly this is an attempt to sketch the facts and fancies connected with the use and abuse of money right from the word go!! The light which social credit throws on the subject is particularly illuminating.

First it is necessary to get straight what economics is all about. It falls naturally into three divisions. Production comes first even if it is no more than the plucking of a berry off a vine. Very logically in that instance comes the second division, consumption. Strictly speaking the simple act of carrying the berry to one's mouth is the third division, Distribution.

Social Crediters make a point even this early in the study, - which should not be forgotten. Whether production is the simple act of plucking of one berry, -or- the harvesting of tons of berries, the sole purpose of any kind of production is consumption or use.

Because human life and well being can be maintained only by the use or consumption of production, the essential need of distribution is very plain. Now-a-days everyone must agree that money is the universally used means of distribution. To trace the development of this means of distribution, is the simplest route to follow in an informal study of economics like this.

Canada ~~supposed~~ on his Island had the simplest problem of distribution of all. It was an entirely person problem which he solved very well!!

In populated areas however, no doubt the system of direct Barter was used first of all. Such a system of distribution needs no explanation. It is easy to see how soon it would become unwieldy and unworkable, what with larger and larger quantities of goods, livestock and food literally driven or carried to the place of transaction.

2. Logically the next step of improvement on the system of simple barter would seem to have been a system which has been used at various times right up to modern days, which could be called a system of Private Barter Tokens. It was used among farming folk of course. Such and such a farmer had let it be said, a herd of cattle for sale. Rather than driving the poor beasts along the road to the prospective customer, in order to obtain goods from him by direct barter, this farmer made some sort of tokens, - leather discs or something with his name stamped upon them. These tokens he took along to his customer-producer friend. Each token represented one head of cattle, let it be supposed and in return for some of the tokens, this customer-producer friend would give him the goods desired. This friend might use the tokens carrying the value of one head of cattle each, to obtain goods from a third party -- but eventually someone would bring the tokens along to claim the cattle represented. The returned tokens would again be valueless until the farmer had some more goods for sale.

Naturally such a system of distribution, would work only in a small group of trustworthy people, - but social crediters recognise a basic feature that should not be forgotten. It cost practically nothing to make those tokens, and the farmer used only enough of them to represent the goods he wanted to sell. Once the cattle were sold the real wealth went with them, - and the tokens were valueless until put to use representing some more goods for sale.

Lost away back in the mists of antiquity are the beginnings of the use of Public Barter Tokens or money. This term is used to keep up the idea that the real function of money is the act as a means of distribution only. Probably at first Public Barter tokens were jewels, pearls, ivory, precious metals, spices perfumes, etc., which were obtained by merchants by trade abroad by discovery, or even by conquest or piracy.

Everyone came to accept these tokens for the purpose of barter at face value. Those who did not obtain them by trade abroad etc., obtained them from the merchants and producers, directly or indirectly as wages for labour. Although these Public Barter Tokens did not represent any particular supply of consumable goods, - still they were always accepted because they would "buy" the necessaries of living.

(3) Foreign trade therefore emphasized the procurement of these Public Barter tokens or "money tokens". In this connection, the reader may remember the Poem, "Cargoes" from our school day readers. It went after this fashion,—"Stately Spanish Galleons----", with a cargo of spices, jewels, gold, silks, laces, and perfumes etc., vs. the, "----dirty British coaster with a salt caked smoke stack----with a cargo of road rails, pig lead, and cheap tin trays.----".

At this stage, money tokens really were a market commodity. As with other commodities, money tokens were sometimes in short supply. At such times, regardless of normal supplies of raw materials, merchants and producers just did not have the money tokens to pay their hired labourers. With less wages workers and their dependants could not buy and therefore the merchants' sales were low. With too little money the cost of exporting could not be met in order to trade abroad for more money tokens. Aggravating this situation was the fact that no merchant could pay out enough wages to allow his hired men to buy all his produce for sale!! Merchants were forced to export and to obtain this money in addition from abroad.

The very real need for money was recognised, and out of antiquity along with the use of money tokens, came the money lenders. From their reserves of money tokens, they could loan to merchants and producers, (but to no one else, since no one else would ever likely be able to repay) to tide them over until the supply of money tokens was better. Of course their usury charges were as high as the anxious merchants were willing to pay.

Anyone can see that because of the almost universal notion that everyone had,--that money could and should be obtained by labour only,-- money was considered to be a valuable commodity in its own right. After all didn't everyoddy labour for it, whether by the labour of trade; discovery, conquest or piracy, or even just plain drugery. ---surely these pretty little baubles must have had some "magical" value of their own. The fact that money was but a valueless medium of exchange, was a notion that no one but social creditorsever knew and did something about, and that was only a few hundred years later. Naturally the money lenders would have been the last on earth to let the idea spread that money was but a costless convenience,-- but even they may never have dreamed of it!!

(4) Gold was used in the early days of England, by weight oftentimes, (worth its weight in gold,) or by coins made for Public use by the Goldsmiths, with Gov't. Permission probably. It was natural for the merchants to keep their gold in the goldsmiths strong boxes. To carry it abroad was to risk armed robbery. About 1002 the early records say, that the goldsmiths began to give receipts for the gold the merchants left with them. It was the beginning of our modern banking system.

Merchants soon found that these receipts, made out in convenient denominations, was the easiest way to transact business. This was the first "paper money". It was really in the form of promissory notes. Such and such a Bank would pay so much on demand, "in gold". For hundreds of years, long after the words, "in gold" had lost their meaning, these words were seen on Bank notes and bills (in Dollar areas) before being finally dropped.

Other forms of paper money were personal promissory notes individually made out as to payee and negotiability. This was the origin of today's cheques exactly.

Having their depositors gold, the goldsmiths - come - Bankers were able to lend it to business men in the old way, even paying their depositors interest for the privilege of using their money (gold). It was only a matter of time and the Bankers found that hardly one in ten ever actually withdrew actual gold from the vaults of the Bank, either from their savings or as a loan. Everyone preferred to use paper Bank notes or personal cheque money, or the cheap silver and copper alloy coins that were later made. (These coins and notes were called "legal tender") They were content to see ledger entry record or "Account" of their gold on deposit, and believing the gold was there in the Bank's strong boxes, used their ledger entry Account money, in the form of Bank notes and cheques. This "belief" money became known as Credit Money (from the latin 'credo' to believe) This credit money account balance was raised whenever deposits of legal tender or of cheques were made and lowered on the withdrawal of the same. Therefore the simplest way for the Bankers to make a loan was to write a line of figures representing the borrowed sum (in red ink perhaps) on the ledger entry record of the borrower's account. It was a book work way of saying that the Banker had loaned to the

(5) borrower credit for a certain amount of gold in the Bankers strong boxes. The borrower could draw or issue cheques on this borrowed "Bank credit" over the amount of his own credit money. The loan was an "Overdraft". Because no one (at least no more than one in ten) ever asked for gold or legal tender rather than a credit money loan, the Bankers proved how shrewd business men they were, by loaning credit money "overdrafts" to borrowers to the extent of up to ten times their actual gold reserves as well as the gold on deposit with them.

Thus credit money was actually created. The money the borrowing merchants used to repay the loans plus the interest, was however real legal tender or cheques on someones real credit money account, in any case earned by real sweat and brain power. Very soon therefore the Bankers had more real money reserves in legal tender and credit money, than did their depositors. Still even today, Bankers will assure their savings account customers that their deposited money will be used as the basis for loaning money, and pay them interest on their accounts, to keep up the blind. This is the 100% profit plus interest, the "hidden profit" which the Bankers dare not publish, mention, nor admit.

This basic policy of the Banking System was virtually complete before the founding of the Bank of England in 1694, to confirm the worst fears of those who bitterly opposed it then. They knew that by lodging the control of money power, i.e. the control of money supply, in a central group, that that group would have control over all production, distribution, and consumption, in the most complete dictatorship imaginable!!

The papers which authorized the founding of the Bank of England, contain undeniable proof that William Patterson, the founder knew how the Bankers made their profits, when he stipulated, "The Bank hath benefit of interest on all monies which it createth out of nothing".

Social Crediters narrow down the reason for people accepting all this dishonesty, to the presence of two basic falsehoods. First that credit money has value because it represents gold or legal tender. Second, that gold or legal tender has an intrinsic value that makes it a marketable commodity in its own right. Furthermore although people seemed not to have a ghost of an idea of it, no one ever figured out that money of any kind is worthless unless representing the wealth of real useable goods. They did not know how the Bankers were supplying

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freely created credit money loans, to serve *virtually* ~~actually~~ the same purpose as did the "Private Barter Tokens", which were also "created" as a means of distribution. Unlike the Private Barter tokens however the Bank credit loans do not disappear when the goods are delivered, - but remain as debts bearing interest. The repayment of these debts, withdraws money, the means of distribution, from society which even yet does not know how to supply itself with more money.

Despite its dishonest character, the efficiency and ease with which credit money could be created thus by the Banks released the sleeping power of the Nations' genius. Starting in Britain, the Industrial Revolution brought us in an age of terrific industrial and scientific expansion that in two hundred years has exceeded the progress of the previous two thousand years, and now the end seems ever farther and farther from sight.

All through the colonial days, Britain was the world's "credit manufactory". The Bankers were able to loan credit to producers without being hampered by the need to wait on shipments of money tokens. Production went ahead similarly unhampered, and also because the Colonial Empire would take all the finished produce which the consumer-labourers' wages in Britain would not buy. The colonies borrowed from the Bankers also to pay for the finished produce exported to them, and obtained credit for their supplies of raw materials sent to Britain.

In fact, as the exported volume of useable goods fell off, - in proportion to the rise of manufacturing in the colonies, - the export of credit loans became more important. From this Britain gained her financial leadership of the world, by having nearly every country owing her Bankers money. With these repayments of the interest and capital of credit loans, - "created out of nothing" - the Bankers received the credit money repayments representing the true wealth of raw materials and brain power from the society of the world. The export of useable goods became secondary to the export of finance, often being the vehicle for a big financial deal. From the Bankers' point of view the goal was not the trade of useable goods for mutual advantage but the obtaining of a "favourable balance" of trade, financially. Often this would mean actual mutual disadvantage if it should mean that less exports

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would deprive consumers of their buying power; i.e. their wages. In the presence of a wealth of unexported goods the labouring consumers and their dependants would be poverty stricken.

The system just could not help but breakdown, and just what the evidences of that breakdown are, social creditors make it their job to explain.

The explanation will be clearer after studying the causes of the breakdown. The System of Orthodox Economics as it is called is founded upon falsehood, and upon ignorance. That money is a marketable commodity is false. That money should be supplied for labour only is False. People are ignorant of the fact that money paid for the labour of production is too little to buy the produce of that labour. Thus they are also ignorant of the fact that the produce which wages-come-buying-power cannot buy, must be exported--by economic compulsion. So they are understandably ignorant of the true reason why it is so hard to export goods with any degree of certainty of a steady market,--since all are trying to do the same, for the same reason. This is that each country's consumer-wage earners and their dependants just cannot buy all the goods they produce for use by consumers. Only by ignorance do people not know that Gov'ts. must borrow money from the Banks, to distribute it as wages for civil, military, and capital works, as well as direct grants and subsidies, or relief funds. Friction arising between Nations, each one trying to export more than they import, is quite easy to understand. But people do not see how this sorry situation is used by the Banking System as a basis for war propoganda, to frighten the people into authorizing their Gov'ts. to borrow for munitions, (from the Banking System of course). This unsaleable, unuseable produce, Munitions, (and the armed services) releases wages-come-buying power for the purpose of buying surplus useable goods production. Not knowing this, people also are ignorant of the real reason for the rising prices in the so called "inflation spiral". It makes no difference if the huge accumulated interest charges on past Gov't. borrowing,-- are paid by taxes which increase the cost of useable goods, (i.e. their sale prices), or which directly reduce the already scarce "labour earned" money incomes. The effect is the real reason for the high cost of living that is so apparent today.

(8) Thus because of unemployment poverty, and over-production;... the early days of Britains Industrial Giants of Capitalism, gave way to the financial capitalism of the Banking system. This is now the ruling power through the growth of Gov't. borrowing and the National Debt. The resultant hard times, trade wars, with the ideas of "room to expand" & "export or die", etc., so cuminated in friction between countries, that the Austrian assassination was hardly necessary to touch off world war one.

Not only did economic troubles form the cause for world war one, but they were the cause of the rotten social conditions which led to the "class war" and "soak the rich" slogans and the writings of Karl Marx, Lenin, and Trotsky. In fact everywhere on earth where Industrial Capitalism has been defeated by Financial Capitalism, (which is practically every where) with its National Debt overproduction and unemployment poverty --- Communism has sprung up with its specious alternatives. These can be stated thus; State control vs. Private ownership of the means of production; Defence and War production vs. surplus production of consumable goods; Forced labour camps vs. unemployment; Freedom to stay out of personal debt because communist citizens have no surplus consumable goods to buy, (they make munitions instead and these are not for sale)-vs.- freedom to go into personal debt (by 12 easy payments, or nothing down and 20 months to pay, or "lay by" plans for Christmas or Easter etc., etc.)

The Bankers were the only ones to gain from world war one, their profit being the interest money on the non-repayable loans (payable in perpetuity) that financed that war. The "winners" have paid for it ever since, not to mention the Napoleonic Wars, the American Civil War, and for all the civil and Military borrowing in between)*

After World War One Bankers loaned money quite freely and there was a tremendous boom in the 20's. But by '24 the Bankers had seen that their loans were not being repaid, (since of course it was merely making up for the scarcity of "labour earned" money). The stock market "crash" of '29, was but a reflection of the business recession caused by the Bankers' planned credit "squeeze", on the availability of credit money loans. Small businesses went bankrupt, - while larger business were forced to sell at a loss in order to repay their "overdrafts" with this dearly earned money, in doing so they forced other

(9) small businesses out of the running even though these owed no money to the Banks at all. Then it was that the jobless workers faced with starvation and poverty, were assailed with the specious doctrine of the Communists.

To Social Crediters Communist and Capitalism are but two peas in the same pod. That one is more rotten than the other is merely beside the point, because the pod itself is rotten. The "pod" of course is their false belief in "orthodox economy", which holds that money is a marketable commodity to be obtained only by labour in some way or other, as well as maintaining that debt and scarcity are inheritant in a society. Those in "Western" countries don't know that the "poison" of the anti-social creation and control of the supply of money for the power and profit of the private Banking System, - is reducing them and has done so until Communism appeared. Even now this same "poison" is reducing our Communist neighbours to an even greater degree of degradation.

Between the Wars (1st & 2nd) there were many small Bankers who were independants, drawn into existance the dishonest "get-rich-quick" scheme on which the Banking System thrives. During the Depression desperate people went to draw their savings out of their accounts, - to pay off debts and live, - perhaps thinking that the Bank still had the actual legal tender they had paid in. But such was the cautious action of the bigger Banks in the removal of legal tender and credit money from the market, that the smaller Banks had no reserves of legal tender enough to meet the demands of their customers. The legal tender had been paid into the Banks as well as the cheques on credit money accounts to cancel the loaned "Bank Credit", and had not been redistributed as loans to producers and merchants thence to the markets. This inability to pay up with legal tender started a scare and 100's or even 1000's of people made a run on the Banks. Many Bankers went out of business, - by suicide or by more orthodox means, but taking with them the result of years of hard earned savings of their customers.

Banks are wiser now. They joined forces so that in every country appeared a Bankers' Bank called a Central Bank. The various chartered, or commercial, or trading, or lending Bank of any name deposited their reserves of legal tender with the Central Bank receiving "credit" money account records in return. Thus they could hold vastly greater reserves and therefore could lend much greater quantities of "credit money" loans "created" nominally to the tune of ten times the extent of their published reserves. Accordingly the smaller Banks then had a far greater reserves to fall back on in case of a panic "run" on them for *with drawal* of legal tender.

(10) The Central Bank never loans money at all in competition with their associate Banks. Commercial men borrowed direct from the Private Trading Banks, while the Gov'ts. applied through the Central Bank for a loan to be arranged with one or ones of the private Trading Banks and financial corporations. It was only a matter of time then before the Central Bank of any country became a private Banking System "Department" in their country's Gov't., for the purpose of arranging loans and for convenience in giving the often sought "expert" financial advice. Part of this advice evidently was that the Central Bank become "National", and become the people's property etc. At any rate the Central Banks of England, Canada, U.S.A., N.Z., Australia, and every major country no doubt, are usually thought of as being Public or Peoples' Banks.

The success of Central Banking in each country led logically to the formation of the International Banking agreements now in existence. Thus was formed the Bank of International Settlements, behind the altruistic "front" of the United Nations and the World Bank. This super Central Bank controls the various National Currencies deposited with it by the Central Banks of the various countries. This means the control also of the Credit money loans available to each country's Gov't. through its Central Bank.

The dictatorial power of the Banking System is well known to social Creditors. They know the Gov't. of any country cannot give the people control of the Central Bank merely by "Nationalizing" it. Rather this is a sort of acknowledgement of the Banks true role, - as the supreme ruler of the country. To adorn the Central Bank with Public Office was & is to give "legal appearance" to the manner in which the Banking System dictates to the Gov't. in matters of finance.

Under this unbalanced money system Gov't. borrowing is absolutely necessary to the solvency of the country's economy. The most effective way to hide this fact and to make the continued borrowing program palatable to the people, has been to scare the electorates into borrowing for War & Defence preparation.

The Banking System has taken advantage of the contrasting degrees of social depravity to be seen in the capitalistic "Western countries", and the "Communist Eastern" countries, by playing up the Communists as being diametrically opposed to Capitalism. Through the debt enslaved Press and Radio and all media of information

(11) and education, this system has kept alive the "cold war" fear in the electorates of the West. True it is that the Communist propoganda thrives even yet in some places on the "soak the rich" and "kill the wicked capitalist" but for a long time now, that propoganda has been shelved in face of the need for a "bread and butter" appeal, as the "poison",--the belief in orthodox finance--, makes plain that class warfare is no solution for their economic problems.

It is abundantly clear why Social Crediters maintain that the real struggle is not between "East" and "West", but between all of society East, West, North, and South, and the Financial Capitalism of the Banking System.

There was a World War number two a while back,-- vastly more terrible than ever before. Yet even that was but a sham and a nasty show resulting from the regrettable error in the Bankers' game of power politics and financially controlled balance of the military power of the various countries of the World. It has made no difference to the policy of the system, which even now is busy shaping History oblivious of the "blood sweat and tears", spent in noble but blind self-sacrificial endeavour.

It is hoped by this informal resume of the History of Economics, that the seriousness of the threat to Society may be realised. To those who will appreciate this threat, Social Crediters offer their means of putting Righteousness to work in the fields of finance and politics, as the new clear vision of the better life that God wills for us on earth, beyond the clouds of poverty, slavery, and self doubt.

January 1957, W.W.Leonard.

(P.O. Box 3)
183 East Street Delhi
Ontario Canada