Why Tolerate Poverty?

"Poverty in Gt. Britain is now entirely unnecessary"

A simple concise statement of facts and how DOUGLAS SOCIAL CREDIT proposals would transform the problems of Poverty, Unemployment and War.

By W.H. Quigley

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Introductory Note:

Although dated in its detailed examples, the booklet *Why Tolerate Poverty?* contains all the tools necessary for an understanding of the money system which has been inherited from the 20th century. It has been here reproduced without editing, as it forms a coherent whole. However, the reader must constantly bear in mind the very different prevailing social, economic and political circumstances under which the text was written in 1935.

Dire poverty may now tend to occur on a world scale, rather than a national one: the Bank of England may be nationalised or privatised; the Gold Standard may seemingly have been abandoned; blips on computer screens may have replaced cheque books with handwritten signatures; and waste may take the form of mountains of packaging and used cars. But the principles lying behind the institutional patterns through which money operates remain exactly the same as they were in the 1930s when this pamphlet was written.

Foreword

The following pages, first printed as a series of newspaper articles which were perforce condensed and simplified, do not pretend to cover the whole philosophy and technical aspects of Social Credit.

The author only hopes they will bring in clear and simple form to the ordinary reader the underlying principles of this New Economics which puts *first* the welfare of the human race, and, considering real wealth – goods and services – to be the most important factor, relegates "money" to its proper position, *i.e.*, as a system of tokens whose sole function and reason for being is to enable man to use and consume that abundant wealth which applied science and invention now enables him to produce so easily.

For those wishing to read more, the following are some of the books and periodicals available. This small booklet outlines the proposals. If the reader will continue to think them out he will more and more find that Social Credit is part of Universal Truth, and in the end truth will prevail.

Ipswich, January, 1935

Warning Democracy, C.H. Douglas	7/6
Social Credit, C.H. Douglas	3/6

Economic Nationalism, Maurice Colbourne	3/6
This Age of Plenty, C.M. Hattersley	3/6
Men, Machines and Money, C.M. Hattersley	3d.
The Nation's Credit, C.G.M.	4d.
The Abolition of Poverty, R.S.J. Rands	4d.
Social Credit. Weekly	2d

A Summary of Social Credit Proposals.

1. How our Artificial Poverty is caused.

In 1834, only 100 years ago, Sir Robert Peel was called hurriedly from Rome to London to form a Government. He took almost as long to come as Julius Caesar had taken nearly two thousand years before, for he had similar transport – horses and sailing ships only.

Man's recorded history on this earth is of some 7,000 years. The present Machine-age is of little more than 100 years. Our own lifetime has seen the development of electricity, the petrol engine, motor cars, aeroplanes, wireless, and now the defining cause of unemployment by labour-saving machinery.

THE AGE OF PLENTY IS HERE.

The Machine-age has only just begun, but even in its infancy the Machine can supply mankind with all its wants. The Age of Plenty is here, yet we have thousands of our own people just existing on 1½d per meal per person, every day, week in, week out. Poverty in the midst of Plenty is said to be today's problem.

None will deny the Poverty. If any doubt the Plenty, let them say why America orders the destruction of one-third of wheat, cotton and tobacco crops; of six million suckling pigs and one million sows. Why Denmark, Holland and the Argentine destroy cattle. Why Ireland slaughters 200,000 calves a year. Why Brazil destroys coffee. Why 1½ million oranges were thrown into the sea off Liverpool in August, 1933. Why statesmen all over the world are worried about how to restrict production, and get rid of what State Secretary Cordell Hull (U.S.A.) calls "our burdensome surpluses."

If production is so successful and as consumption would be so easy if we could get the goods into our hands, it is obvious that the problem we have not solved is that of Distribution. Distribution if the function of our Money System. How, then, is our money issued and controlled? How is it born, and how does it get into our pockets?

HOW WE GET OUR MONEY

In 1790 Mr. Mayer Amschel Rothschild said: Permit me to issue and control a nation's money, and I care not who makes its laws." Our money is issued and its quantity controlled by the Bank of England, a private Company.

Money may briefly be defined as "Any token readily accepted in exchange for goods and services." It has taken various forms in various ages and countries, from cattle to shells or bits of copper wire. Today in this country it is in the form of copper and silver coins, paper notes and cheque-money. Cheque-money or "bank-credit" money forms about 95 per cent.of all the money we use.

Under our present system all money is debt. To quote Mr. Reginald McKenna, ex-Chancellor of the Exchequer and present chairman of the Midland Bank: "The amount of money in existence varies only with the action of the banks. … Every bank loan and every purchase of securities creates a deposit, and every repayment of a loan and every bank sale destroys one." And, again Mr. McKenna: "To define monetary policy in a few words, I should say it is the policy which concerns itself with regulating the quantity of money, and it is controlled by the Bank of England."

Banks do not lend deposits. Banks make loans, and when the borrower writes a cheque to pay for goods or services the receiver of the cheque by paying it into his own bank forms a deposit.

You need never fear that your bank deposit will be lent to someone else. Bankers know that all money is debt. They do not need your deposit to make loans with, for they know that your deposit is only someone else's debt to the banks. So long as the total amount of loans has not reached the limit of what they call the "safe" proportion to their cash reserve, the banks will make new cheque-money to lend without worrying about your deposit. When the total of loans is likely to be greater than the "safe" figure, the bankers do not ask for more deposits to lend: they ask for some of the loans to be paid off and cancelled.

All our money therefore is born as loans by banks to industry and Government. Money gets into consumers' pockets only through industry. All incomes (except the salaries of bank servants) must come in this way, directly or indirectly. Wages, salaries and dividends come from industry directly; while the doctor's fee comes out of our wages or salaries, and the old-age pensioner's 10s. a week comes yet more indirectly from taxes out of our wages.

THREE DEFECTS IN OUR PRESENT MONEY SYSTEM

In our present Money System for distributing the goods we produce are three vital defects. Firstly, the *amount* of our national money is controlled by the Bank of England, a private company, whose advantage lies in treating "money" as a commodity, and not merely as a convenient ticket system to enable us to consume the goods produced. It is not therefore the chide interest of our money-controllers to ensure that the standard of living of our people is as high as their ability to produce real wealth – goods and services – will allow.

From this it is apparent that the first step in any reform must be to restore to the nation that monopoly of control over its money which it has allowed to pass into the hands of the Governors of the bank of England.

The second defect is that the total quantity of our money is regulated, not – as one would expect – by the amount of real wealth which the nation can produce and wishes to consume, but by the weight of gold in certain London vaults. This means that our standard of living is determined and restricted according to supplies of a yellow metal which is not itself very useful.

HOW GOLD DECIDES OUR STANDARD OF LIVING

Our standard of living is determined by how much we can use or consume of clothing, food, shelter and all further comforts and conveniences of civilisation. Such consumption is limited by our individual "purchasing-power" – money. The total of our purchasing-power or incomes is determined by the amount of money created by the Banking system through loans to Industry. The total amount of such loans is determined by a certain ratio to the amount of gold held in the Bank of England vaults.

In this way our standard of living is decided, not by the skill and capacity of our people in producing real goods, but by the amount of gold held in London by a private company. The second step in any monetary reform must therefore be to base our "money" on the actual wealth, in goods and services, which we are able to produce.

WHY "PURCHASING-POWER" IS TOO SMALL

Treating "money" as a commodity, our banking system keeps it in short supply, and while willing to create it and lend it for the buying and making of productive "capital goods" – factories and machinery – banks are not willing to wait for repayment until all the goods which those factories and machinery will produce are sold to consumers [which may take years or even decades]. Therefore the owners must charge the cost of that machinery into the *prices* of their goods as quickly as they can, in order to pay back the bank loans. This part of their costs and prices appears as Depreciation and Reserves in their accounts, *but it is not distributed as wages or salaries* to become purchasing power for individual consumers.

When bank loans are repaid quickly by the issue of Debenture Shares to the public, the money so subscribed has been saved out of wages and salaries which formed part of costs and prices of goods previously made. It has not been used to buy the goods it produced and is now being used to produce still more goods and *prices*; there must obviously then be so much goods left unsold, to buy which no money exists.

It is sometimes suggested that this shortage of purchasing-power, as compared with total prices, does not really occur because more Capital Goods are always being made and so more "incomes" being provided by the making. Certainly the shortage is partly masked in this way, but to make up the shortage ever greater and greater loans for production must be made; thus ultimately increasing the "gap" between incomes and prices. Even if Banks were prepared to make these unlimited loans, can we contemplate covering England with unnecessary factories *simply to provide wages with which to buy the surplus goods we have already made?*

This big shortage of "purchasing-power" is the great defect when trying to operate our out-of-date Money System in our new Age of Plenty. It has created the world's problem. It causes the "burdensome surpluses" in every nation, surpluses of goods which could well be consumed but cannot be "bought".

Even those who do not openly admit this "gap" tacitly acknowledge it by the remedies they propose. These are mainly loans for making more Capital Goods or for Public Works, in both cases thus providing wages with which to buy the glut of goods already made. Both suggestions would leave loans to be repaid in the future, and one would produce yet more goods which there would not be enough money to buy.

II
Consumer-Credit Would End Poverty

ALL INDUSTRY EXISTS FOR CONSUMPTION

We today suffer poverty and other ills in the midst of plenty because of a deficiency in purchasing power, i.e., money tokens. This deficiency is caused by:- (i) Control of our money by a private Company instead of by the Nation; (ii) The limiting of money by relating it to gold, instead of to our real wealth; (iii) The fact that the total of consumers' incomes is always much less than total prices produced during the same period, under the present system of production-loans and pricing.

It cannot seriously be disputed that the real aim of Industry is the consumption of the goods produced. Without consumption, all activities of production are futile and would cease. It is apparent that in this Machine-age, to consume the wealth of goods and services which science and invention can so lavishly produce with less and less demands on manpower, some form of "consumer-credit" is essential.

The backing for this consumer-credit already exists in the surplus of production over consumption in any civilised community. Distribution of such credit, apart from the usual channels of Industry – wages, salaries, etc. - , to bridge the present "gap" between incomes and prices, is the only way by which a civilised community can buy and consume all it produces. Social Credit shows how it can be done fairly and without danger of inflation.

HOW AN ENGINEER SAW THE WORLD PROBLEM

Major C.H. Douglas, a member of the Institute of Mechanical Engineers, arrived at this solution by approaching the problem as a practical engineer approaches a problem. All economists and politicians so far have accepted today's money-system as a fixed unalterable condition, and endeavour to restrict and alter human welfare to fit that system. Hence the destruction of real wealth all over the world – an artificial creation of the scarcity which is necessary for that money-system. Why should humanity suffer poverty rather than alter a system which man made and man can therefore modify?

The engineer faced with any problem asks:- (i) What do we want to obtain? (ii)What have we to get it with? (iii) How can we best use our tools and materials?

In the present problem we want adequate food, clothes and shelter for every person, adding the comforts of civilisation and leisure for cultural and spiritual development, also individual freedom and security. To obtain these we have Nature's ample raw materials and power resources; the science, inventions and machinery inherited from past generations, and our own brains and muscles. We have also a money-system whose function should be to make possible the consumption of things produced, in fact, a distributing system.

The third question remains. How can we use our means to achieve our aims? At present the scientist, engineer and industrialist have done their job well – the goods and services *are produced* in abundance. Our trouble is that the Distributing System – Money – has failed to distribute.

Douglas, the engineer-economist, saw that our successful production was obtained by following and applying Nature's universal laws, and that our unsuccessful distributing system was based on man-made rules and conventions which could be altered when they did not work. He saw that "money" instead of being merely convenient tokens for the distribution and consumption of things produced, had become a commodity dealt in for its own sake, limited in quantity for this reason, and therefore unable properly to do the job for which alone it existed.

Douglas was among the first to point out that whereas in peace many good things are denied us or left undone because there is no "money" for them, yet in war nothing thought desirable was left undone for this reason. If the men and materials existed, the thing was done. Nobody said "We can't afford it." If in war, why not in peace? In war, the money-system had to give way, temporarily. In peace, to make full human life possible, the money-system must be altered and adjusted permanently. *Whatever is physically possible must be made financially possible.*

Douglas saw that the necessary alteration is, in a word, "Consumer-credit"; issued by the Nation; based on its actual wealth produced; and distributed apart from work or industrial channels. There may be other methods of distributing this Consumer-credit, but so far

Major Douglas' proposals have easily held the field for 15 years as the most practical. They are in two parts, each complimentary to the other – one is distribution by a NATIONAL DISCOUNT upon all purchases for individual consumption; the other is the distribution of a NATIONAL DIVIDEND to every British-born person resident in Great Britain.

HOW TO DISTRIBUTE "CONSUMER-CREDIT"

The backing of this "Consumer-credit" is the actual wealth-producing capacity of the nation – a far sounder basis than a mass of yellow metal. How would it be calculated?

A National Credit Office staffed by technicians would collect all the data of national Wealth Production and Consumption (on the lines of that already ascertained yearly by our Board of Trade and Industrial Revenue Departments), and from these would calculate at suitable intervals, say each six months, the rates of National Discount and National Dividend for the following half-year. Such work would be purely mathematical and as much beyond "faking" or influence by individuals, parties or governments as are our weights and measures.

The National Credit Office would draw up a Real National Balance Sheet from the actual Production and Consumption figures, which would be in some such form as follows:-

National Balance Sheet for Six Months ending………

Dr. IMPOVERISHMENT	**£m**	**Cr. ENRICHMENT**	**£m**
1. Consumption		**1. Production**	
(a) People's Goods sold retail	1100	(a) People's Goods	1100
(b) Wear and Tear (Depreciation) of Factories, Machinery etc.	100	(b) New factories, Machinery etc.	700
(c) National Services, Army, Navy and Civil Service, etc.	100		
2. Exports -		**2. Imports**	
(Real Wealth lost by us)	200	(Real Wealth received by us)	200
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Total Impoverishment	1500	Total Enrichment	2000
Balance carried down	500		------

	2000		

Distributed as -			
National Discount	400		
National Dividend	100		

	500	**Net Enrichment Balance** brought forward for distribution	500

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(All figures are illustrative only, with no pretence of accuracy)

THE REAL COST OF PRODUCTION IS CONSUMPTION

It must be remembered that the real, the physical, cost of Production is Consumption. The *real* cost of all the goods and services which this nation produces in any year is the actual consumption of goods and services and wearing out of machinery and buildings by the nation during that same year. The *financial* cost is a very different thing, and is much greater.

In our illustration Balance Sheet the total surplus divisible among Consumers is £500 million. This is not paper money created with no backing of wealth, but is "credit" given to the whole people of the nation for having, during the past six months, created new means of production, *i.e.*, factories, machinery, *etc*., in excess of the amount of wealth consumed in that time. *The present Financial System has no way of fully and directly reflecting this increase of real wealth in the lives of the people.* All it can do is to charge them for the use of the new machinery.

This surplus forms the "Consumer-credit" which must be distributed if a machine-using community is to buy and consume all it produces. Under Douglas Social Credit most of this credit would be distributed by means of the NATIONAL DISCOUNT. With a Balance Sheet as illustrated, a 20 per cent. discount might be declared for the next six months' period, absorbing £400 million and leaving £100 million for distribution as the NATIONAL DIVIDEND. The genius of the Discount proposal is that it puts a premium on Consumption, or spending, and only issues the Consumer-credit or new money when the goods are not only made but actually bought for consumption, at a reduced price. This disposes of any question of "inflation".

To make practical details clear, let us follow the making and buying of an overcoat. In the first place, wages and the percentage *rates* of *gross* profits are fixed by agreement through all industries. Our overcoat manufacturer will have a loan from his bank to meet production costs, wages, cloth etc. The wholesaler, by a loan from his bank, will purchase a supply of the coats. The retailer, by a loan from his bank, will buy a selection. You now approach the retail counter and choose your coat, of which the final financial cost and price (including all wages, charges and profits of maker, wholesaler and retailer) is, we will say, £5. You therefore will pay the retailer £5, just as you might today.

Social Credit being in force, the National Credit Office (from Production and Consumption census of the previous half-year) has found that a National Discount of 20 per cent. can be allowed, and the Government has accordingly declared this. On your receipt for the coat, therefore, will be a stamp or coupon certifying that you have on that date bought and paid for a £5 overcoat, and on presenting this at your bank, your account there will be accredited with £1 by the National Credit Office (out of the National

Surplus), so completing the whole cycle of trade in which all loans will now have been repaid and everyone be ready to start a new cycle of Production for Consumption.

For smaller articles, probably the retailer would sell to consumers at net reduced prices (a 5s. article for 4s.) and claim weekly or monthly the 20 per cent. credit from his bank by certificate of his accounts.

When we consider the complex ramifications today of our Tariff and Inland Revenue Systems, the millions of Government Pension accounts, the millions of separate accounts kept by Co-operative Societies (who record every penny sale and calculate dividends), we see there is not the least difficulty in administering a Social Credit National Discount. As now, all traders and manufacturers' accounts would be subject to inspection.

In this way the NATIONAL DISCOUNT portion of the necessary consumer-credit would be distributed. There remains the NATIONAL DIVIDEND, a payment (irrespective of other income or work done) to every citizen *as a birthright*.

A NATIONAL DIVIDEND FOR ALL

For thousands of years Man struggled for security – a production sufficient to feed, clothe and shelter him with a certain amount of comfort. This generation sees the end of that struggle in civilised communities. By our present control of Nature's vast resources of raw materials and power we can produce ample real wealth to satisfy those needs for every person in the community. *Poverty is now entirely unnecessary.*

This tremendous change is not due to any man now living, nor to any class, but is the crown of the work of men in all generations. From the first makers of fire, the flint axe, the wheel, metal tools, steam engines, *etc*., to our day of the petrol motor, electricity and wireless, each worker has added his contribution of thought and skill to the facilities inherited from predecessors.

So today the cumulative result of all this science, invention and industry is the common possession of us all, and it is this cultural inheritance which makes a NATIONAL DIVIDEND *the right* of every person. A British Birth Certificate should be a Share Certificate in Great Britain, Ltd., for every resident, and as such should bring a dividend paid out of the National Surplus of Production over Consumption.

St. Paul's words, "If any will not work neither let him eat," had every sanction in an age of scarcity, when Man was still struggling for a meagre existence, and non-production by one meant less welfare and more work for others. Today, with millions unemployed because their produce could not be *sold*, and machinery ever making man-work more unnecessary in production, this doctrine is both irrelevant and wrong.

WHERE THE DIVIDEND COMES FROM

It may be asked by those unacquainted with either the present Money System or Social Credit, "Where is the money to come from for these National Dividends?" The short answer is, "Where all our money comes from now – the credit of the British people." At a little greater length this question is answered by explaining, as in previous pages, that our country's real wealth is its people's capacity for producing goods and services; that our "money" is merely book-entries converted into tokens – cheques, paper notes or metal discs – for the convenient distribution and consumption of that real wealth; that so long as the real wealth in goods and a services exists, sufficient "money" to deal with it can be created as it is now, by writing figures in books. This is where our present and future "money" comes from. The National Dividend is new money created by the Nation, *not* got from taxation.

A more pertinent question is, Why have a National Dividend as well as a National Discount? The main reason is two-fold. There are, and always will be, numbers of persons unable to engage in paid work for various reasons – old age, ill-health and the fact that their labours are *not needed* in production, and these must all have an income if they are to help in consuming the produce of the machines. Secondly, our greatest production (and capacity for still greater production) is of the ordinary, everyday requirements of life, and it is just upon these that a National Dividend distributed to everybody (as 95 per cent. of our population are ordinary every-day people) will be spent.

The Principle of the National Dividend already exists in our Old Age, Widows, and Blind Pensions, Out-door Relief, *etc*. Social Credit proposes to consolidate all such odds and ends into a National Dividend payable *as a right* to every British man, woman and child resident in Great Britain.

THIRTY SHILLINGS A WEEK FOR ALL

It is suggested that this starts modestly at not more than 30s. per week per person, and could be paid through Post Offices or credited to bank accounts. It would, of course, be additional to all wages, salaries, etc., earned by recipients. If thought necessary, to meet the fears of those who think that few would work with such a secure income, it could be a condition of the National Dividend for a period of, say, five years that the recipient shall take his part according to his abilities in productive work *if needed*.

The firm foundation of Douglas Social Credit is the fact – *the fact* – that a civilised community can today produce far more real wealth, goods and services, than it consumes. It is on this surplus alone that the National Dividend and the National Discount, as explained here, are both based. They are complementary proposals, which together form the only practical method yet put forward whereby a nation *can itself make use of* the wealth which it produces.

Today every nation tries to get rid of this so-called "surplus" wealth, which its own people produce but cannot buy, by exporting it abroad and refusing equal value goods in exchange. Such giving away of real wealth, without receiving payment, is called "having a favourable balance of trade." The attempt by all nations to do this is international commercial war and inevitably leads to war with gas and guns.

III
General Effects of Social Credit

Social Credit is not a form of government, but is a scientific economic system. It could operate under any form of government, but without it no Government can enable a nation to make use of all the wealth that nation produces.

INDIVIDUAL LIBERTY AND SECURITY

The primary object of Social Credit policy is to increase the economic power of the *individual*. It is a fundamental conception of the Social Credit Movement that group relationships, such as the State, are only of importance in so far as they conduce to the well-being and progress of every individual composing them.

Opportunity for and encouragement of the individual is the keynote, and this marks the Social Credit proposals as distinctly British; in line with all our history and best national traditions and characteristics. This people has always striven for, and has gained to a greater degree than any other people, civil and religious liberty for the individual. If we will now add to this economic liberty for the individual, it may again be said, "England has saved herself by her exertions and the world by her example."

Such individualism is engrained in the British character, but with a great disposition for co-operation, "team-work", provided it is recognised that the organisation exists for the welfare of every person. This is the real practical socialism – the co-operation of free individuals resulting in the maximum of welfare and opportunity for everyone.

The British people, having such a history and such characteristics, will not readily turn to the Russian, Italian or German attempted solutions for their problems. All three are alike in theory and practice, but with different sets of people as dictators; and all depend upon that conscription of the individual in agricultural, industrial and commercial life, which would be utterly contrary to all our traditions.

On the other hand we take naturally to a further step along the path of individual freedom which we have trod for centuries, and Social Credit gives greater freedom to the individual in every way – freedom to make losses as well as profits. Security for all but a greater or fuller life for each, just so far as he is able to develop his own powers and abilities.

REMOVING THE "POWER" OF MONEY

After individual security, freedom and independence, the next general effect of Social Credit is that “power” is taken from the mere ownership of money or the means of wealth-production.

By the Social Credit proposals, which provide under national control sufficient money tickets to enable the community to use all the wealth it is able to produce, and which distribute part of that money as a Discount to all consumers and part as a Dividend to every British resident, “power” (in the sense of control over other people’s lives and welfare) is entirely taken away from the mere ownership of money.

With Social Credit, though percentage *rates* of gross profits are limited, there is no hindrance to increase of total profits through an increase of production; but any man who *saves* a large part of the money tokens coming to him – whether as wages or profits – is benefitting his fellows at his own expense. In the first place he will not get the advantage of the National Discount on what he saves – only upon what he spends for consumption. Secondly, if he merely hoards his savings, the National Discount for everyone during the next period will be larger – because Consumption has been by so much less than Production. Thirdly, should his savings be invested in the production of more goods, this additional national production means still greater Discount for the general consumer.

In fact, the system ensures that all incomes or profits in excess of amounts used for the individual’s own consumption are automatically turned to the benefit of the rest of the consumers; thus again removing “power” over others from the mere ownership of wealth.

For the rest, some further effects of Social Credit can briefly be stated as:- No more poverty. No more enforced unemployment. The use of steam laundries will abolish home washing-days and mothers will not ruin eye-sight in darning garments which should be scrapped. Real foreign trade – exchange of goods for goods – instead of present trade wars. *This in turn means the removal of the cause of war, and is the only way to real disarmament and world peace.*

“Real conviction and understanding of a truth come only from one’s own thinking upon it.”

Why tolerate Poverty?