The Social Credit proposals explained in 10 lessons

and viewed in the light of the social doctrine of the Church

Pius XI

Pius XII

John XXIII

Paul VI

John Paul II

A study prepared by Alain Pilote

PILGRIMS OF ST. MICHAEL PÈLERINS DE SAINT MICHEL

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Foreword

The regular readers of the "Michael" Journal know that every issue of this journal contains articles about the Social Credit financial proposals, which are more timely than ever to solve today's economic problems. This Social Credit idea may raise many questions among our new readers, and one article is certainly not enough to answer all these questions, or to give a clear understanding of the whole concept of Social Credit. Besides, most people simply do not have the time to read long books on the subject.

So, here is the solution: the Social Credit proposals explained in 10 lessons, each one being the logical continuation of the previous one. The first lesson begins with principles, and from there, we lay the foundations to have a full knowledge of all that Social Credit implies. Here is the list of the ten lessons:

L Lesson 1: **The end of economics — to make goods join those who need them** (page 6);

Lesson 2: Poverty amidst plenty — The birth and death of money (page 15);

Lesson 3: Banks create money as a debt (page 26);

Lesson 4: The solution: debt-free money created by society (page 43);

Lesson 5: The chronic shortage of purchasing power — The dividend (page 60);

Lesson 6: Money and prices — The compensated discount (page 74);

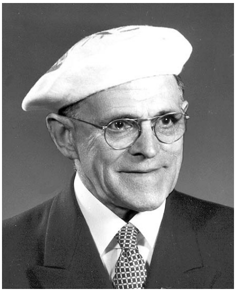
Lesson 7: The history of banking control in the United States, and famous quotes on money (page 85);

Lesson 8: Social Credit is not a political party, but a sound and effective financial system (page 97);

Lessons 9 and 10: Social Credit and the social doctrine of the Church (pages 113 and 127), which explain, among other things, the four basic principles of the social doctrine of the Catholic Church and the study of Social Credit by nine theologians).

Good reading !

Introduction



Louis Even, 1885-1974 founder of the Pilgrims of St. Michael and of the "Michael" Journal

Social Credit is a doctrine, a series of principles expressed for the first time by Major and engineer C. H. Douglas in 1918. The implementation of these principles would make the social and economic organism effectively reach its proper end, which is the service of human needs. Social Credit would neither create the goods nor the needs, but it would eliminate any artificial obstacle between the two of them, between production and consumption, between the wheat in elevators and the bread on the table. The obstacle today — at least in the developed countries — is purely of financial order, a money obstacle. Now, the financial system neither proceeds from God nor nature. Established by men, it can be adjusted to serve men and no more to cause them problems.

To this end, Social Credit presents concrete propositions. Though very simple, these propositions nevertheless imply a real revolution. Social Credit brings the vision of a new civilization, if by civilization one can mean man's relationship with his fellow men and the conditions of life making easier for each one the blossoming of his personality.

Under a Social Credit system, we would no longer be struggling with problems that are strictly financial, which constantly plague public administrations, institutions, families, and which poison relationships between individuals. Finance would be nothing but an accounting system, expressing in figures the relative values of goods and services, making easier the mobilization and coordination of the energies required for the different levels of production towards the finished good, and distributing to ALL consumers the means to choose freely and individually what is suitable to them among the goods offered or immediately realizable.

For the first time in history, absolute economic security, without restrictive conditions, would be guaranteed to each and everyone. Material poverty would be a thing of the past. Material anxiety about tomorrow would disappear. Bread would be ensured to all, as long as there is enough wheat to make enough bread for all. Similarly for the other goods that are necessary for life.

C.-H. Douglas
1879-1952
Scottish engineer who conceived the Social Credit proposals

Each citizen would be presented with this economic security as a birthright, as a member of the community, enjoying throughout one's life an immense community capital, that has become a dominant factor of modern production. This capital is made up of, among other things, the natural resources, which are a collective good; life in society, with the increment that ensues from it; the sum of the discoveries, inventions, technological progress, which are an ever-increasing heritage from generations.

This community capital, which is so productive, would bring each of its co-owners, each citizen, a periodical dividend, from the cradle to the grave. And seeing the volume of production attributable to the common capital, the dividend to each one ought to be at least sufficient to cover the basic necessities of life. This dividend would be given in addition to those who personally take part in production, without prejudice to wages, salaries, or other forms of reward.

An income thus attached to the individual, and no longer only attached to his status of employee, would shield him from exploitation by other human beings. With the basic necessities of life guaranteed, a man can better resist being pushed about, and can better take up the career of his own choosing. Freed from urgent material worries, men could apply themselves to free activities, which are more creative than commanded work, and strive towards their own development by the exercise of human functions superior to the purely economic function. Getting the daily bread would no more be the absorbing occupation of their lives.

Note: The text of the following 10 lessons is essentially taken from Louis Even's writings: In This Age of Plenty (a 410-page book), What Do We Mean by Real Social Credit? (a 32-page brochure); and A Sound and Effective Financial System (a 32-page brochure). They are also available on our website: www.michaeljournal.org

Lesson 1

The end of economics: to make goods join those who need them

Ends and means

When one talks about economics, one must first distinguish between ends and means, and especially subordinate the means to the end, and not the end to the means.

The end is the goal aimed at, the objective pursued. The means is the processes, the methods, the acts used to achieve the end.

I want to manufacture a table. My end is the manufacturing of the table. I get planks, I measure, I saw, I plane, I adjust, I nail the wood: so many movements, actions, which are the means used to manufacture the table.

This seems elementary. But it often happens, in the running of public affairs, that one mistakes the means for the end, and one is all amazed when chaos results. For example, according to you, what is the end of economics:

A. To create jobs?
B. To reach a favourable balance of trade?
C. To distribute money to people?
D. To produce the goods that people need?

The correct answer is D. Yet, for practically all politicians, the end of economics is to create jobs: yet, jobs are just a means to produce goods, which are the end; today, thanks to the heritage of progress, goods can be produced with less and less human labour, which leaves people more free time to do other activities, like taking care of their families, or accomplish other social duties. Besides, what would be the point of continuing to produce something when human needs for this production are satisfied? This would be a useless waste of resources. And what about all those who cannot be employed in the production system: the handicapped, old people, children, housewives — should they starve to death? Not every human being is a producer, but all are consumers.

If you think in terms of reality, to have a favourable balance of trade means that you export to other countries more products than you import from abroad, which means that you end up with less products in your countries, thus poorer in real wealth.

Many could have been tempted to answer C, for it seems obvious that money is necessary to live today, unless you produce all that you need yourself — which is the exception in today's society, with the division of work where one person is the baker, another one a carpenter, etc., each one accomplishing a specific task and producing specific goods.

Money is a means to obtain what is produced by others. Mark you, it is a means, not an end! One does not eat money, clothe oneself with money: we use money to buy food and clothes. First, goods have to be produced, put on sale on the market: if there is no product to buy, any money would be useless. What would be the purpose of having a million dollars if you end up in the North Pole or in the Sahara Desert, with no products to buy? Compare this person with a man without a penny on an island that has all the water and food he needs to live comfortably. Who would be the richer? Again, as we will see further, money is not wealth, but a means to obtain real wealth: products.

Let us not confound ends and means. One could say the same thing about systems. The systems were invented and established to serve man, not man created to serve systems. Then if a system is harmful to the mass of men, do we have to let the multitude suffer for the system, or alter the system so that it will serve the multitude? Another matter which will be the subject of a study in these lessons: since money was established to facilitate production and distribution, does one have to limit production and distribution to money, or relate money to production and distribution?

Therefore one sees that the error of taking the ends for the means, the means for the ends, or of subordinating the ends to the means, is a stupid very widespread error which causes much disorder.

The end of economics

The word economy is derived from two Greek roots: *Oikia*, house; *nomos*, rule.

The economy is therefore about the good regulation of a house, of order in the use of the goods of the house.

We may define domestic economy as good management of domestic affairs, and political economy as good management in the affairs of the large communal home, the nation.

But why "good management"? When can the management of the affairs of the small or large home, the family or the nation, be called good? It can be so called when it reaches its end.

A thing is good when it attains the results for which it was instituted.

Man engages in different activities and pursues different ends, in different orders, in different domains.

There is, for example, man's moral activities, which concern his progress towards his final end.

Cultural activities influence the development of his intellect, the ornamentation of his intellect, and the formation of his character.

In participating in the general well-being of society, man engages in social activities.

Economic activities deal with temporal wealth. In his economic activities, man seeks the satisfaction of his temporal needs.

The goal, the end of economic activities, is therefore the use of earthly goods to satisfy man's temporal needs. And economics reaches its end when earthly goods serve human needs.

Is the present financial system the exact reflection of reality?

The temporal needs of man are those which accompany him from the cradle to the grave. There are some which are essential, others which are not as vital.

Hunger, thirst, bad weather, weariness, illness, ignorance, create for man the need to eat, drink, clothe himself, find a shelter, warm himself, freshen himself, rest, to take care of his health, and to educate himself. These are all human needs.

Food, drink, clothing, shelter, wood, coal, water, bed, remedies, the school teacher's teaching books — these are all factors that must be present to fulfill these needs.

To join goods to needs — this is the goal, the end of economic life.

If it does this, economic life reaches its end. If it does not do this, or does it badly or incompletely, economic life fails its end or only reaches it imperfectly.

The goal is to join goods to needs, not only just to have them close together.

In straight terms, one could therefore say that economics is good, that it reaches its end, when it is sufficiently well-regulated for food to enter the hungry stomach, for clothes to cover the body, for shoes to cover naked feet, for a good fire to warm the house in winter, for the sick to receive the doctor's visit, for teachers and students to meet.

The end of economics is not only to produce goods; these goods must be useful for people, answer their needs. Moreover, the end of goods is not to remain on shelves, but to be consumed by the people who need them. And for this, as we will see further, people need money to buy the goods that are on the shelves of stores.

Economics has an end of its own: to satisfy men's needs. The fact of eating when one is hungry is not the final end of man; no, it is only a means to aim better towards his final end, which is to see God face to face in Heaven for eternity.

But if economics is only a means to the final end, if it is only an intermediate end in the general order, it is nevertheless a distinctive end for economics itself.

And when economics reaches this distinctive end, when it allows goods to join needs, it is perfect. Let us not ask more of it. But let us ask this of it. It is the goal of economics to achieve this perfect end.

Morality and economics

Let us not ask of economics to reach a moral end, nor of morality to reach an economic end. This would be as disorderly as to attempt to go from Montreal to Vancouver in the transoceanic liner, or from New York to Le Havre, France, by railroad.

A starving man will not appease his hunger by reciting his Rosary, but by eating food. This is in order. It is the Creator who wanted it this way, and He turns from it only by departing from the established order through a miracle. He alone has the right to break this order. To satiate man's hunger, it is economics therefore that must intervene, not morality.

Similarly, a man who has a sullied conscience cannot purify it by eating a good meal, or by consuming copious libations. What he needs is the confessional. In that case, it is religion's place to intervene; it is a moral activity, not an economic activity.

There is no doubt that morality must accompany all of man's actions, even in the domain of economics. But morality does not replace economics. It guides in the choice of objectives, and it watches over the legitimacy of the means, but it does not carry out what economics must carry out.

So when economics does not reach its end, when things stay in the stores or are not produced, and needs continue to be present in the homes, let us look for the cause in the economic order.

Let us blame of course those who disorganize the economic order, or those who, having the mission to govern it, leave it in anarchy. By not fulfilling their duties, they are certainly morally responsible, and fall under the sanction of ethics.

In effect, if both things are truly distinct, it happens nevertheless that both concern the same man, and that if one is immolated, the other suffers from it. Man has the moral duty to make sure that the economic order, the social temporal order, reaches its proper end.

Also, although economics is responsible only for the satisfaction of man's temporal needs, the importance of good economic practices has time and time again been stressed by those in charge of souls, because it normally takes a minimum of temporal goods to encourage the practice of virtue, as Saint Thomas Aquinas put it. We have a body and a soul, spiritual and material needs. As the saying goes, "words are wasted on a starving man", and even the missionaries in poor countries know this; they have to feed the hungry before preaching to them. Man needs a minimum of goods to live his short pilgrimage on earth and save his soul, but a money shortage can cause terrible and inhuman situations.

This is what brought Pope Benedict XV to write, **"It is in the economic field that the salvation of souls is at stake."**

And Pius XI: "**It may be said with all truth that nowadays the conditions of social and economic life are such that vast multitudes of men can only with great difficulty pay attention to that one thing necessary, namely their eternal salvation.**" (Encyclical Letter *Quadragesimo Anno*, May 15, 1931.)

The social and very human end of the economic organism is summed up in this sentence of *Quadragesimo Anno*:

"Only will the economic and social organism be soundly established and attain its end when it secures for all and each those goods which the wealth and resources of nature, technical

achievement, and the social organization of economic affairs can give."

ALL and EACH must be secured with all the goods that nature and industry can provide.

The end of economics is therefore the satisfaction of ALL of the consumers' needs. The end is consumption; production is only a means.

To make economics stop at production is to cripple it. Economics must not finance production only; it must also finance consumption. Production is the means, consumption is the end.

In an order where the end governs the means, it is man as a consumer who is in charge of all of the economy. And since every man is a consumer, it is every man who contributes to orienting the production and distribution of goods.

A really human economy is social, as we said; it must satisfy ALL men. So ALL and EACH must be able to give their orders to the production of goods — at least to satisfy their basic needs, as long as production is in a position to respond to these orders.

The policy of a philosophy

Social Credit is not a utopia, but is based on a right understanding of reality, on the just relationship between man and the society in which he lives. As Clifford Hugh Douglas said, Social Credit is the policy of a philosophy.

A policy is the action that we take, and it is based on a conception of reality or, in other words, a philosophy.

Social Credit proclaims a philosophy which had existed as long as men have lived in society, but which is terribly ignored in practice — more than ever in this day and age.

This philosophy, as old as society itself — therefore as old as the human race — is the philosophy of association. The social teaching of the Church would say: the common good.

The philosophy of association is therefore the joining together of all associates for the good of the associates, of each associate. Social Credit is the philosophy of association applied to the general society, the province, the nation. Society exists for the benefit of all the members of society, for each and every one.

It is for this reason that Social Credit is, by definition, the opposite of any monopoly: the economic monopoly, the political monopoly, the prestige monopoly, the brutal-force monopoly.

Let us define Social Credit as a system of society at the service of each and every one of its members, in which politics is at the service of each and every one of the citizens, and economics is at the service of each and every one of the consumers.

Now let us define monopoly: the exploitation of the social organization at the service of a few privileged individuals, in which politics is at the service of clans called parties, and economics is at the service of a few financiers, of a few ambitious and unscrupulous entrepreneurs.

Too often, those who condemn monopolies stop at specified industrial monopolies: the electric monopoly, the coal monopoly, the oil monopoly, the sugar monopoly, etc. They ignore the most pernicious of all monopolies in the field of economics: the monopoly of money and credit; the monopoly that changes a country's progress into public debts; the monopoly which, by controlling the volume of money, regulates the human beings' standard of living, without any relation to the realities of production and the needs of families.

The aim of Social Credit is to "bind back to reality" or "express in practical terms" in the current world, especially the world of politics and economics, those beliefs about the nature of God and man and the Universe which constitute the Christian Faith, as delivered to us from our forefathers, and NOT as altered and perverted to suit current politics or economics, which stem from a non-Christian source.

Men live in society, in a world submitted to God's laws: the laws of nature (the physical laws of creation), and God's moral law (the Ten Commandments). The acceptance and knowledge of these laws implies recognizing the consequences of violating them.

To accept Natural Law is to recognize that is inescapable reality, and that all people, as individuals or collectively in society, are subject to Natural Law. Every event which occurs on the physical plane are innumerable illustrations of the laws of the physical universe. For example, if a man jumps out of an airplane, he does not break the law of gravity… he just illustrates it, proves it. That observation is applicable to all natural laws.

These laws are beyond the abrogation of man — they cannot be disobeyed — the sanctions which enforce them are irresistible.

The chains (agreement associations, man-made laws) which individuals in society have forged for themselves — are optional, whereas the Natural Law and its consequences are inescapable.

For example, money is a man-made system, not a system created by God or nature: it can be changed by man. The equilibrium of the environment, however, has been created by God, and cannot be broken without consequences. If we produce goods without respecting the environment, if we pollute and waste the resources given to us by God, we have to suffer the consequences.

The social credit: the confidence that binds society together

Geoffrey Dobbs

In his booklet *What is Social Credit?*, Geoffrey Dobbs wrote: "The social credit (without capital letters) is the name of something which exists in all societies but which never had a name before because it was taken for granted. We become aware of it only as we lose it.

"'Credit' is another word for 'faith' or 'confidence', so we can also call it the faith or confidence which binds any society together — the mutual trust or belief in each other without which fear is substituted for trust as the "cement" of society... Though no society can exist without some social credit, it is at its maximum where the Christian religion is practized, and at its minimum where it is denied and derided.

"The social credit is thus a result, or practical expression, of real Christianity in society, one of its most recognisable fruits; and it is the aim and policy of social crediters to increase it, and to strive to prevent its decrease. There are innumerable commonplace examples of it which we take for granted every day of our lives. How can we live in any sort of peace or comfort if we cannot trust our neighbours? How could we use the roads if we could not trust others to observe the rules of the road? (And what happens when they don't!)

"What would be the use of growing anything in gardens, farms, or nurseries if other people would grab it? How could any economic activity go forward — whether producing, selling, or buying — if people cannot, in general, rely upon honesty and fair dealing? And what happens when the concept of the Christian marriage, and the Christian family and upbringing, is abandoned? We see, do we not? — that Christianity is something real with desperately vital practical consequences, and by no means a mere set of opinions which are 'optional' for those to whom they happen to appeal."

One could add that without this respect of the social credit, of the laws ruling society, any life in society would become impossible, even though you put a police officer on every street corner, since you could not trust anybody.

Social discredit

Mr. Dobbs continues: "Just as there are social crediters, conscious and unconscious, trying to build up the social credit (the confidence that we can live together in society and benefit from it), so there are others — social discrediters — trying to destroy it and break it down, at present with all too much success. The conscious ones include the Communists and other revolutionaries, who quite openly seek to smash all the links of trust and confidence which enable our society to function until the Day of the Revolution dawns... But it is the unconscious social discrediters who are responsible, in the West, for the present success of the conscious ones....

"Why do the shops and the manufacturers foist upon us so many shoddy, rubbishy, throw-away things, at outrageous prices, and trick us into buying them with clever packaging and advertizing? Why are most repair services so scandalously slow, expensive and inefficient, and so many small services which made life easier now unobtainable? And above all, why do millions of decent working people of all classes take part in strikes deliberately designed to damage services to their fellow men? What on earth can make normal decent people descend to this spiritual level? We all know what it is. There is one common factor running through all this destructive and discreditable action: the compulsive need for more money to meet the ever-rising cost of living.

"So now at last I have come to the question of money, which is what some people think that Social Credit is all about; but it isn't! Social Credit is an attempt to apply Christianity in social affairs; but if money stands in the way, then we, and every Christian, must concern ourselves with the nature of money, and just why it stands in the way, as it surely does. There is a dire need for more people to look deeply into the operation of our monetary system, though that is not everyone's job. But when the consequences are so desperate, everyone can at least grasp the outline of what is wrong, and could be put right, which will enable them to act accordingly..."

Lesson 2

Poverty amidst plenty
The birth and death of money

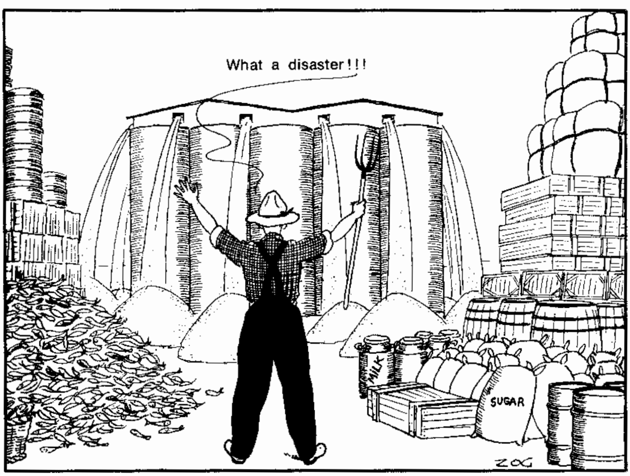
Do goods exist? Do they exist in sufficient quantity to satisfy all of the consumers' basic needs?

Are we short of anything in our country to satisfy the temporal needs of the citizens? Are we short of food for everybody to eat one's fill? Are we short of shoes, clothes? Can we not make as much as is required? Are we short of railroads and other means of transportation? Are we short of wood or stones to build good houses for all families? Are we short of builders, manufacturers, or other workers? Are we short of machines?

No, we have all these things, in plenty. Never do the retailers complain that they cannot find enough goods to meet the demand. Grain elevators are bulging. Numerous are the able-bodied men waiting for work. Numerous also are the machines which are at a standstill.

Yet, a great many people suffer! Goods are simply not finding their way into homes.

Of what use is it to tell people that their country is rich, that it exports a lot of goods, that it ranks third or fourth among the world's exporting countries?



Full warehouses, a calamity for the producers while millions of human beings are starving to death

What goes out of the country does not go into the homes of the citizens. What sits idle in the stores does not appear on their tables.

A mother does not feed her children or provide them with shoes and garments by going window-shopping, by reading the advertisements of goods in newspapers, by listening to the description of good products on the radio, or by listening to the sales talk of countless salesmen of all kinds.

What is lacking is the effective means of laying hands on these goods. You cannot steal them. To get them, you must pay for them: you need money.

There are a lot of good things in our country, but many individuals and families who need these goods lack the right to have them, the permission to get them.

Is there anything lacking but money? What is lacking, apart from the purchasing power to make the products go from stores to homes?

Mankind has gone through periods of food shortage; famines covered big countries, and there was no appropriate means of transportation to bring to these countries the wealth from other sections of the planet. It is no longer the case today. There is an overabundance of everything. It is abundance — no longer scarcity — that creates the problem.

It is not at all necessary to go into detail to demonstrate this fact. There are thousands of cases of voluntary destruction on a large scale "to stabilize markets", by making stocks disappear. Let us give just a few examples:

The Montreal daily "La Presse" of June 7, 1986, reported the case of the potatoes in the Canadian Province of New Brunswick: "Last month… the Federal Government decided to throw away nearly 100,000 tons of potatoes, after having shipped 2,500 dehydrated tons to two African countries. The general mobilization of farmers in New Brunswick, transport companies and volunteers saved nearly 100,000 kilos which were dispatched to soup kitchens and small poorhouses of New Brunswick, Toronto, Ottawa and Montreal. But 90,000 tons, the equivalent of a 10-pound (4.5 kg) potato bag for each Canadian, have been thrown to the garbage…

"The very same week this operation was taking place, 6,000 barrels of 200 pounds (90 kg) of herings were dumped into the Miramichi River in New Brunswick."

Abundance is not confined to Canada; it is the same case in Europe, as was reported in the newspaper in October, 1986, under the title: "World's starving not consulted":

"Public outrage has erupted over the European Community's (EC) plan to burn or dump in the ocean the huge surplus mountains of butter, milk powder, beef and wheat piling up across EC nations. A report from the EC's Brussels headquarters by the European Commission recommends destroying the food, which is rotting and costly to store. US $300 million is said to be the possible saving if dairy products alone were destroyed. The EC already practizes periodic food dumping. Last year it dumped into the sea several hundred tons of deteriorating wheat. Eliminating half of present surpluses is proposed. It is believed that would mean burning 750,000 tons of butter and 500,000 tons of milk powder. Milk quotas haven't succeeded in draining the EC's milk lake."

Why all this waste? Why don't the products join the needs? It is because people have no money. Wealth, goods are laughing in your face, and you starve in front of lofts full to overflowing, if you have got no money. No money, no products: humans starve to death, and products are thrown away.

Are we smarter than monkeys?

Look at the cartoon above: Here is a grocer's store filled with good products in abundance; in front of this store, there is a penniless starving man. Good products are made to be consumed. The grocer displays them to sell them. The consumer would like to purchase them, but he lacks the tickets to purchase them: he has got no money. The result: the good products will not be consumed, and they will rot on the shelves. Yet, everybody would be happier if the situation was different — the grocer would be happy to sell, and the consumer would be happy to buy.

Why is it that something that would make everyone happy cannot take place among human beings?

Let us have a look at the monkeys. They see plenty of bananas on the banana trees. Since they need to eat bananas to live, they simply pick the bananas and eat them.

Monkeys never worked out complicated economic systems in their universities. In their heads of monkeys, they never examined the law of supply and demand, nor the difference between socialism and neo-liberalism. They simply saw good things in front of them, and they were smart enough to pick them in order not to starve.

But a monkey is a monkey, and a man is a man. A monkey has no mind, but a man can misuse his mind.

A monkey is led by its instinct, which does not mislead it. Man is led by his mind, which is often misled by pride. In such a case, man quibbles, uses dialectics, but forgets simple and pure reasoning based on common sense.

This foolish situation of a multitude of starving people amidst plenty of food is caused by the greed of those who base their power on the bondage of the masses. You can say also that this foolish situation is supported and maintained by people allegedly learned in economics, who lead minds to the most stupid conclusions, under the pretence of reasoning with science and wisdom.

This whole situation can also be summed up in the form of a joke, although the conclusion is very serious: A group of monkeys in the jungle were arguing whether men were more intelligent than monkeys. Some said “yes”; others said “no”. One of the monkeys said: “To be clear in my own mind, I will go to the city of the humans, and find out if they are really smarter than us.” All the monkeys agreed that it was a good idea. So the monkey went and saw a penniless man starving in front of a grocery store filled with bananas. The monkey came back to the jungle, and said to the other monkeys: “Don’t worry, men are not smarter than us; they starve to death in front of bananas that rot on the shelves for lack of money.”

Conclusion: Let's be smarter than the monkeys, and let us devise a money system that will allow us to eat the bananas and all the other products that are provided in plenty by God for all His children. This smart money system exists; it is Social Credit.

Money and wealth

We have just shown that what is lacking is not products, but money. This does not mean that money itself is wealth. Money is not an earthly good capable of satisfying a temporal need. As we said in the previous lesson, money is a means, the end is the products.

You cannot keep yourself alive by eating money. To get dressed, you cannot sew together dollar bills to make a dress or a pair of stockings. You cannot rest by lying down on money. You cannot cure a sickness by putting money on the seat of the malady. You cannot educate yourself by crowning your head with money.

Money is not real wealth. Real wealth consists of all the useful things which satisfy human needs.

Bread, meat, fish, cotton, wood, coal, a car on a good road, a doctor visiting the sick, the knowledge of a science — these are real wealth.

In our modern world, each individual does not produce all things. People must buy from one another. Money is the symbol or token that you get in return for a thing sold; it is the symbol that you must give in return for a thing that you want from another.

Wealth is the thing; money is the symbol of that thing. The symbol should reflect the thing.

If there are a lot of things for sale in a country, there must be a great deal of money to dispose of them. The more the people and the goods, the more money in circulation that is required, otherwise everything stops.

It is precisely this balance that is lacking today. We have at our disposal almost as great a quantity of goods as we could possibly wish, thanks to applied science, to new discoveries, and to the perfecting of machinery. We even have a lot of people without occupations, who represent a potential source of goods. We have loads of useless, even pernicious, occupations. We have activities of which the sole end is destruction.

Money was created for the purpose of keeping goods moving. Why, then, does it not find its way into the hands of the people in the same measure as the flow of goods from the production line?

Money begins somewhere

Everything, except God, has a beginning. Money is not God, therefore it has a beginning. Money begins somewhere.

We know the origin of such useful commodities as food, clothing, shoes, books. Workers, machines, plus the country's natural resources, produce the wealth, the goods we need and which we do not lack.

But then where does money begin, the money that we lack in order to buy the goods that are not lacking?

The first idea that we keep alive in our minds, without really realizing it, is that there is one fixed quantity of money, and that it cannot be changed; as if it was the sun, or the rain, or the weather. This idea is utterly wrong; if there is money, it is because it was made somewhere. If there is not more, it is because those who made it did not make more.

Another prevalent belief about the origin of money is that the Government makes it. This is also incorrect. The Government today does not create money, and complains continuously about not having any. If the Government were the source of money, it would not have sat around idly for ten years in front of the lack of money. (And for example, in Canada, there would not be a $500-billion national debt.) The Government takes and borrows, but it does not create money.

Now, we will explain where money begins and ends. Those who control the birth and death of money also regulate its volume. If they make much money and destroy little, there is more. If the destruction of money goes faster than its creation, its quantity decreases.

Our standard of living, in a country where money is lacking, is not regulated by the volume of goods produced, but by the amount of money at our disposal to buy these goods. So those who control the volume of money, control our standard of living. **"Those who control money and credit have become the masters of our lives... No one dare breathe against their will."** (Pope Pius XI, Encyclical Letter *Quadragesimo Anno*).

Two kinds of money

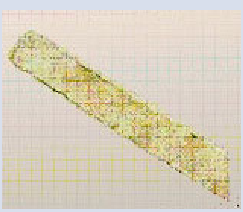
Money is whatever serves to pay, to buy; whatever is accepted in exchange for goods and services.

The material substance of which money is made is of no importance. In the past, money has at times been made of shells, shark teeth, leather, wood, iron, silver, gold, copper, paper, etc.

Examples of money in the past

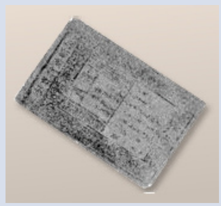
Cowrie shells were among the earliest forms of currency, and are known to have been used as currency in China as early as 3,500 years ago. In some parts of the world, they were used until the early 1900s. Cowries were accepted as currency by many peoples in Asia, Europe, Africa, and the Pacific Islands at different points in time. They travelled great distances as they passed from hand to hand. Cowries were so important in China that they have inspired the shape of the Chinese character that means “to buy”. Cowries worked well as currency because they were portable, easy to count, durable, and almost impossible to counterfeit.

Playing-card money was used as currency from 1685 to 1719 in New France, present-day Quebec and Eastern Canada. The Intendant, Jacques de Meulles, was the head of government in New France. In 1685, he had run out of gold and silver coins to pay his employees, mostly soldiers. Faced with this problem, he thought up a creative solution. He wrote “promises to pay” on the backs of playing cards and signed them. He then ordered everyone in New France to accept these emergency notes in payment.



Salt was used as currency in Abyssinia (now Ethiopia) until the 1920s. In some areas, salt was so rare it was worth its weight in gold. In fact, because salt is so essential for preserving food and maintaining health, the ancient Romans paid their soldiers a “salarium” — a portion of their pay used to buy salt. Thus, the English word “salary” — fixed pay for regular work — comes from the Latin word “salarium.”

Tea bricks were used as currrency up until the 1950s in the countryside of China, Mongolia, and Tibet. The bricks were made from tea leaves fixed together with a fatty substance and pressed in a standard mould. In the 1800s, the Chinese authorities used tea bricks to pay the Mongolian troops in their service. Tea bricks were used for making payments, but they could be used tor brew tea as well. Tea is a favourite drink in most Asian countries. For this reason tea bricks were a popular form of currency for a long time. In the 1870s, a camel could bebought for 120 to 150 tea bricks, a sheep for 12 to 15 bricks, a pipe for 2 to 5 bricks.



These notes were used in the Chinese Empire, in what is now Eastern China, from 1368 to 1450 during the Ming Dynasty. The Chinese invented paper about 200 AD and were also the first to use paper money, introducing it over a thousand years ago. They called this money "fei'ch'ien" which means "flying money." This refers to its iease of transportation. This note represented 1 kwan (a string of 1,000 wen that weighed 3.5 kg.) It was much easier to leave the actual coins in a safe place and then use a printed piece of paper to represent them.

source: http//www.currencymuseum.ca/eng/learning/digit.php

There are at present two kinds of money in Canada: one we call pocket money, made of metal or paper; and the other we shall call book money, made of figures in a ledger. Pocket money is the least important; book money is the most important (over 95%).

Book money is the bank account. Business operates through bank accounts. Whether pocket money circulates or not depends on the state of business. But business does not depend upon pocket money; it is kept going by the bank accounts of businessmen.

With a bank account, payments or purchases are made without using metal nor paper money. Buying is done only with figures.

Let us suppose I have a bank account of $40,000. I buy a car worth $10,000. I make my payment by writing a cheque. The car dealer endorses the cheque, and deposits it at his bank.

The banker then makes changes in two accounts: first, that of the car dealer, which he increases by $10,000; then mine, which he decreases by $10,000. The car dealer had $500,000 — he now has $510,000 written in his bank account. I had $40,000 in mine — my bank account now shows $30,000.

Paper money did not move in the country because of this deal. I simply gave some figures to the car dealer. I paid with figures.

More than nine-tenths of all business is done this way. It is book money, the money made of figures, which is modern money; it is the most abundant money; its volume is ten times that of paper and metal money. It is a superior type of money, since it gives wings to the other. It is the safest kind of money, the one that no one can steal.

Savings and borrowing

Book money, like the other type of money, has a beginning. Since book money is a bank account, it comes into existence when a bank account is opened without money decreasing anywhere, neither in another bank account nor in anyone's pocket.

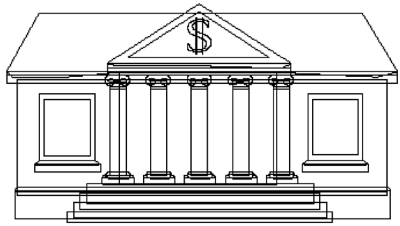
The amount in a bank account can be increased in two ways: by saving and by borrowing. There are other ways, but they can be classified under borrowing.

The savings account is a transformation of money. I bring along some pocket money to the banker; he increases my account by this amount. I no longer have that pocket money; I have book money at my disposal. I can get back pocket money by decreasing the amount of book money in my account. It is a simple transformation of money.

But since we are trying to find out how money comes into existence, the savings account, being a simple transformation of money, is of no interest to us here.

Money begins in the banks

The borrowing (or loan) account is the account lent by the banker to a borrower. Let us suppose I am a businessman. I want



to set up a new factory. All I need is money. I go to a bank and borrow $100,000 under security. The banker makes me sign a promise to pay back the amount with interest. Then he lends me the $100,000.

Is he going to hand me the $100,000 in paper money? I do not want it. First, it is too risky. Furthermore, I am a businessman who buys things at different and widely far-flung places, through the medium of cheques. What I want is a bank account of $100,000 which will make it easier for me to carry on business.

The banker will therefore lend me an account of $100,000. He will credit my account with $100,000, just as if I had brought that amount to the bank. But I did not bring it; I came to get it.

Is it a savings account, set up by me? No, it is a borrowing account made by the banker himself, for me.

Money creators

This account of $100,000 was made, not by me, but by the banker. How did he make it? Did the amount of money in the bank decrease when the banker lent me $100,000? Well, let us ask the banker:

— Mr. Banker, have you any less money in your vault after having lent me $100,000?

— I haven't gone into my vault.

— Have other people's accounts been reduced?

— They remain exactly as they were.

— Then what was decreased in the bank?

— Nothing was decreased.

— Yet my account has been increased. From where did the money you lent me come?

— It didn't come from anywhere.

— Where was it when I came into the bank?

— It didn't exist.

— And now that it is in my account, it exists. So we can say that it was created.

— Certainly.

— Who created it, and how?

— I did, with my pen and a drop of ink when I inscribed $100,000 to your credit, at your request.

— Then you create money?

— The banks create book money, the money of figures. That's the modern money that puts into circulation the other type of money by keeping business on the move.

The banker manufactures money, ledger money, when he lends accounts to borrowers, individuals, or governments. When I leave the bank, there will exist in this country a new source of cheques, one that did not exist before. The total amount of all accounts in the country was increased by $100,000. With this new money, I will pay the workers, buy materials and machinery — in short, build my new factory. Who, then, creates money? — The bankers!

Lesson 3

Banks create money as a debt

Fractional-reserve banking

In the example of the previous lesson, when I was granted a $100,000 loan, the banker actually created $100,000 of new money in the form of credit, in the form of bookkeeping money, which is just as good as coins and paper money.

The banker is not afraid to do this. My cheques to payees will give them the right to draw money from the bank. But the banker knows very well that nine-tenths of these cheques will simply have the effect of decreasing the money in my account, and of increasing it in other people's accounts. He knows very well that a ratio of bank reserves to deposits of 1/10 is enough for him to meet the requests of those who want pocket money. In other words, the banker knows very well that if he has $10,000 in cash reserves, he can lend $100,000 (ten times the sum) in bookkeeping money.

In technical terms, the capacity for a bank to lend 10 times the amount of paper money it has in its safe is called fractional-reserve banking. The origin of this system goes back to the Middle Ages. It is the true story of the goldsmiths who became bankers, as told now by Louis Even:

The goldsmith who became a banker

If you have some imagination, go back a few centuries to a Europe already old, but not yet progressive. In those days, money was not used much in everyday business transactions. Most of those transactions were simple direct exchanges, barter. However, the kings, the lords, the wealthy, and the big merchants owned gold, and used it to finance their armies' expenses, or to purchase foreign products.

However, the wars between lords or nations, and armed robberies, were causing the gold and the diamonds of the wealthy to fall into the hands of pillagers. So the owners of gold, who had become very nervous, made it a habit to entrust their treasures for safekeeping to the goldsmiths who, because of the precious metal they worked with, had very well protected vaults. The goldsmith received the gold, gave a receipt to the depositor, and took care of the gold, charging a fee for this service. Of course, the owner claimed his gold, all or in part, whenever he felt like it.

The merchant leaving for Paris or Marseille, or travelling from Troyes, France, to Amsterdam, could provide himself with gold to make his purchases. But here again, there was danger of being attacked along the road; he then convinced his seller in Marseille or Amsterdam to accept, rather than metal, a signed receipt attesting his claim to part of the treasure on deposit at the goldsmith's in Paris or Troyes. The goldsmith's receipt bore witness to the reality of the funds.

It also happened that the supplier, in Amsterdam or elsewhere, managed to get his own goldsmith in London or Geneva to accept, in return for transportation services, the signed receipt that he had received from his French buyer. In short, little by little, the merchants began to exchange among themselves these receipts rather than the gold itself, in order not to move the gold unnecessarily and risk attack from robbers. In other words, a buyer, rather than getting a gold plate from the goldsmith to pay off his creditor, gave to the latter the goldsmith's receipt, giving him a claim to the gold kept in the vault.

Instead of the gold, it was the goldsmith's receipts which were changing hands. For as long as there was only a limited number of sellers and buyers, it was not a bad system. It was easy to follow the journey of the receipts.

The gold lender

The goldsmith soon made a discovery, which was to affect mankind far more than the memorable journey of Christopher Columbus himself. He learned, through experience, that nearly all of the gold that was left with him for safekeeping remained untouched in his vault. Barely more than one-in-ten of the owners of this gold ever took it out of the vault to conduct their business transactions, using their receipts instead for the purpose.

The thirst for gain, the longing to become rich faster than by means of the jeweller's tools, sharpened the mind of our man, and he made a daring gesture. "Why," he said to himself, "would I not become a gold lender!" A lender, mind you, of gold which did not belong to him. And since he did not possess a righteous soul like that of Saint Eligius (or St. Eloi, the master of the mint of French kings Clotaire II and Dagobert I, in the seventh century), he hatched and nurtured the idea. He refined the idea even more: "To lend

gold which does not belong to me, at interest, needless to say! Better still, my dear master (was he talking to Satan?), instead of the gold, I will lend a receipt, and demand payment of interest in gold; that gold will be mine, and my clients' gold will remain in my vaults to back up new loans."

He kept the secret of his discovery to himself, not even talking about it to his wife, who wondered why he often rubbed his hands in great glee. The opportunity to put his plans into operation did not take long in coming, even though he did not have "The Globe and Mail" or "The Toronto Star" in which to advertize.

One morning, a friend of the goldsmith actually came to see him and asked for a favour. This man was not without goods — a home, or a farm with arable land — but he needed gold to settle a transaction. If he could only borrow some, he would pay it back with an added surplus; if he did not, the goldsmith would seize his property, which far exceeded the value of the loan.

The goldsmith got him to fill out a form, and then explained to his friend, with a disinterested attitude, that it would be dangerous for him to leave with a lot of money in his pockets: "I will give you a receipt; it is just as if I were lending you the gold that I keep in reserve in my vault. You will then give this receipt to your creditor, and if he brings the receipt to me, I will in turn give him gold. You will owe me so much interest."

The creditor generally never showed up. He rather exchanged the receipt with someone else for something that he required. In the meantime, the reputation of the gold lender began to spread. People came to him. Thanks to other similar loans by the goldsmith, soon there were many times more receipts in circulation than real gold in the vaults.

The goldsmith himself had really created a monetary circulation, at a great profit to himself. He quickly lost the original nervousness he had when he had worried about a simultaneous demand for gold from a great number of people holding receipts. He could, to a certain extent, continue with his game in all safety. What a windfall; to lend what he did not have and get interest from it, thanks to the confidence that people had in him — a confidence that he took great care to cultivate! He risked nothing, as long as he had, to back up his loans, a reserve that his experience told him was enough. If, on the other hand, a borrower did not meet his obligations and did not pay back the loan when due, the goldsmith acquired the property given as collateral. His conscience quickly became dulled, and his initial scruples no longer bothered him.

The creation of credit

Moreover, the goldsmith thought it wise to change the way his receipts were set out when he made loans; instead of writing, "Receipt of John Smith..." he wrote, "I promise to pay to the bearer...". This promise circulated just like gold money. Unbelievable, you will say? Come on now, look at your dollar bills of today. Read what is written on them. Are they so different, and do they not circulate as money?

A fertile fig tree — the private banking system, the creator and master of money — had therefore grown out of the goldsmith's vaults. His loans, without moving gold, had become the banker's creations of credit. The form of the primitive receipts had changed, becoming that of simple promises to pay on demand. The credits paid by the banker were called deposits, which caused the general public to believe that the banker loaned only the amounts coming from the depositors. These credits entered into circulation by means of cheques issued on these credits. They displaced, in volume and in importance, the legal money of the Government which only had a secondary role to play. The banker created ten times as much paper money as did the State.

The goldsmith, transformed into a banker, made another discovery: he realized that putting plenty of receipts (credits) into circulation would accelerate business, industry, construction; whereas restriction of credits, which he practised at first in circumstances in which he worried about a run on the bank for gold, paralyzed business development. There seemed to be, in the latter case, an overproduction, when privations were actually great; it is because the products were not selling, due to a lack of purchasing power. Prices went down, bankruptcies increased, the banker's debtors could not meet their obligations, and the lenders were seizing the properties given as collateral.

The banker, very clear-sighted and very skillful when it came to gain, saw his opportunities, his marvellous opportunities. He

could monetize the wealth of others for his own profit: by doing it liberally, causing a rise in prices, or parsimoniously, causing a decrease in prices. He could then manipulate the wealth of others as he wished, exploiting the buyer in times of inflation, and exploiting the seller in times of recession.

The banker, the universal master

The banker thus became the universal master, keeping the world at his mercy. Periods of prosperity and of depression followed one another. Humanity bowed down before what it thought were natural and inevitable cycles.

Meanwhile, scholars and technicians tried desperately to triumph over the forces of nature, and to develop the means of production. The printing press was invented, education became widespread, cities and better housing developed. The sources of food, clothing, and comforts increased and were improved. Man overcame the forces of nature, and harnessed steam and electricity. Transformation and developments occurred everywhere — except in the monetary system.

And the banker surrounded himself with mystery, keeping alive the confidence that the captive world had in him, even being so audacious as to advertize in the media, of which he controlled the finances; that the bankers had taken the world out of barbarism, that they had opened and civilized the continents. The scholars and wage-earners were considered but secondary in the march of progress. For the masses, there was misery and contempt; for the exploiting financiers, wealth and honours!

The Swedish Stockholm bank note was used as currency in Sweden from the 1600's to the 1700's. In 1661, Swedish coins were huge. It would have been impossible to carry around 100 dalers in coins. The Swedish Stockholm Bank got permission from the government to produce bank notes. This way coins could stay in the bank and people could carry pieces of paper that represented the coins instead. These types of bank notes were the first printed paper money to be used in Europe.

Source: http://www.currencymuseum.ca/fre/learning/digit.php

The ratio of cash versus loans in Canadian banks was about one for ten in the 1940s. This ratio (a 10% cash reserve requirement) has changed since then. In 1967, the Canadian Bank Act allowed the chartered banks to create sixteen times (in bookkeeping money) the sum of their cash reserves. Beginning in 1980, the minimum reserve required in cash (bank notes and coins) was 5 per cent, which meant that the banker needed only one dollar out of twenty to answer the needs of those who wanted pocket money. The banker knew very well that if he had $10,000 in cash, he could lend twenty times the sum, or $200,000, in bookkeeping money.

In practice, the banks could lend out even more than that, since they could increase their cash reserves at will by simply purchasing bank notes from the central bank (the Bank of Canada) with the bookkeeping money they create out of thin air, with a pen. For example, it was established in 1982, before a parliamentary committee on bank profits, that in 1981, the Canadian chartered banks, as a whole, made loans 32 times in excess of their combined capital. A few banks even lent sums equal to 40 times their capital. Moreover, in 1990 in the U.S.A., the total deposits of commercial banks amounted to about $3,000 billion, and their reserves amounted to approximately $60 billion. This resulted in a ratio of deposits to bank reserves of about 50/1. U.S. banks held enough cash to pay off depositors at the rate of only about two cents on the dollar.

Subsection 457(1) of the most recent version of the Canadian Bank Act, enacted on December 13, 1991, states that, as of January, 1994, the primary reserve, in the form of cash, that a chartered bank has to maintain is nil, zero. So the banks are no longer limited by law in creating credit, or bookkeeping money. (And, if all cash is eventually replaced by electronic money, with debit or microchip cards, as is already planned by the banks, they won't even be limited in practice to creating money, which will then not be a piece of paper or an entry in a ledger, but simply bytes, units of information in a computer.)

Money destroyers

So we have just seen that banks create money when they make a loan, as it was explained at the end of the previous lesson. The banker manufactures money, ledger money, when he lends accounts to borrowers, individuals, or governments. When I leave the bank, there will exist in this country a new source of cheques, one that did not exist before. The total amount of all accounts in the country was increased by $100,000. With this new money, I will pay the workers, buy materials and machinery — in short, build my new factory. Who, then, creates money? — The bankers!

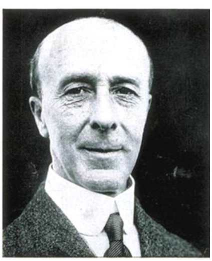
The bankers, and the bankers alone, make this kind of money: bank money, the money that keeps business moving. But they do not give away the money they create. They lend it. They lend it for a certain period of time, after which it must be returned to them. The bankers must be repaid.

The bankers claim interest on this money that they have created. In the case mentioned in the previous lesson, with a $100,000 loan, the banker will probably demand $10,000 from me in interest, at once. He will withhold it from the loan, and I will leave the bank with $90,000 in my account, having signed a promise to repay $100,000 in one year's time.

In building my factory, I will pay my men, buy things, and thus spread my bank account of $90,000 throughout the country. But within a year, I must, through the profits I make selling my goods for more than they cost me, build my account up to not less than $100,000.

At the end of the year, I will pay back the loan by making out a cheque for $100,000 on my account. The banker will then debit my account by $100,000, therefore taking from me this $100,000 I have drawn from the country by selling my goods. He will not put this money into the account of anyone. No one will be able to draw cheques on this $100,000. It is dead money.

Borrowing gives birth to money. Repayment brings about its extinction. The bankers bring money into existence when they make a loan. The bankers send money to the grave when they are repaid. The bankers are therefore also destroyers of money.



Reginald McKenna

As a distinguished British banker, the Right Honourable Reginald McKenna, one-time British Chancellor of the Exchequer, and Chairman of the Midland Bank, one of the Big Five (five largest banks of England), said: **"Every loan, overdraft, or bank purchase creates a deposit, and every repayment of a loan, overdraft, or bank sale destroys a deposit."**

And the system so operates that the repayment must be greater than the original loan; the death figures must exceed the birth figures; the destruction must exceed the creation.

This seems impossible, and collectively, it is impossible. If I succeed, someone else must go bankrupt, because, all together, we are not able to repay more money than has been made. The bankers create nothing but the capital sum. No one creates what is necessary to make up the interest, because no one else creates money. And yet, the bankers demand both capital and interest. Such a system cannot hold out except for a continuous and ever-increasing flow of loans. Hence the system of debts, and the strengthening of the dominating power of the banks.

The national debt

The Government does not create money. When the Government can no longer tax nor borrow from individuals, due to the scarcity of money, it borrows from the banks.

The operation takes place exactly like mine. As a guarantee, it pledges the whole country. The promise to pay back is the debenture. The loan of the money is an account made by a pen and some ink.

Thus, in October, 1939, the Federal Government, in order to cover the initial expenses of the war, asked some $80,000,000 from the banks. The banks lent the Government an account of $80 million without taking a cent from anyone, thus giving the Government a new base for cheques of $80 million. But, in October, 1941, the Government had to repay $83,200,000 to the banks, including both capital and the interest.

Through taxes, the Government had to remove from the country as much money as it had spent, $80 million, but, in addition, it had to draw from the country a further $3 million, money it had not put into the country, which had neither been made by the bankers nor by anyone else.

Even conceding at the most that the Government can find the money that exists, how can it find the money that has never been created? The plain fact is, the Government does not find it. It is simply added to the national debt. This explains why the national debt increases in the same measure as the country's development requires more money. All new money comes into existence as a debt, through the banker, who claims more money than he has actually issued.

And the country's population finds itself collectively indebted for a production that, collectively, it made itself! It is the case for war production. It is the case also for peacetime production: roads, bridges, waterworks, schools, churches, etc.

The monetary defect

The situation comes down to this inconceivable thing: all the money in circulation comes only from the banks. Even metal and paper money comes into circulation only if it has been released by the banks.

Now the banks put money into circulation only by lending it out at interest. This means that all the money in circulation comes from the banks, and must someday be returned to the banks, increased with the interest.

The banks remain the owners of the money. We are only the borrowers. If some manage to hang on to their money for a long period of time, or even permanently, others are necessarily incapable of fulfilling their financial commitments.

A multiplicity of bankruptcies, both for individuals and companies, mortgage upon mortgage, and an ever-increasing public debt, are the natural fruits of such a system.

Claiming an interest on money as it comes into existence is both illegitimate and absurd, antisocial and contrary to good arithmetic. The monetary defect is therefore as much a technical defect as a social defect.

As the country is developed, in production as well as in population, more money is needed. But it is impossible to get new money without contracting a debt which, collectively, cannot be paid.

So we are left with the alternatives of either stopping developments or of getting into debt; of either plunging into mass unemployment or into an unrepayable debt. And it is precisely this dilemma that is being debated in every country.

Aristotle, and after him, Saint Thomas Aquinas, wrote that money does not breed more money, but the banker brings money into existence only on the condition that it breeds more money. Since neither governments nor individuals create money, no one creates the interest claimed by the banker. Even if legalized, this form of issue remains vicious and insulting.

Decline and degradation

This way of making the country's money, by forcing governments and individuals into debt, establishes a real dictatorship over governments and individuals alike.

The sovereign Government has become a signatory of debts to a small group of profiteers. A minister, who represents millions of men, women and children, signs unpayable debts. The bankers, who represent a clique interested only in profit and power, manufacture the country's money.

Pius XI

Without blood, humans cannot survive; so it is fair to compare money with the economic lifeblood of the nation. Pope Pius XI wrote in 1931, in his encyclical letter *Quadragesimo Anno*: **"This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying, so to speak, the lifeblood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will."**

A few lines further, the Pope spoke of the degeneration of power that ensues, saying that governments have surrendered their noble functions, and have become the servants of private interests.

The Government, instead of guiding the State, has become a mere tax collector, and a great slice from tax revenues, the most sacred slice, kept above all discussion, is purely and solely for the interest on the national debt.

Furthermore, the legislation consists, above all, in taxing people and setting up, everywhere, restrictions on freedom.

There are laws to ensure that the money creators are repaid. There are no laws to prevent a human being from dying of extreme poverty.

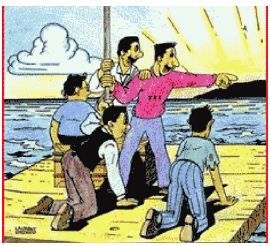
As for individuals, the scarcity of money develops a mentality of wolves. In the face of plenty, only those who have money — the too scarce symbol of goods — are given the right to draw on that plenty. Hence the counterproductive competition, the tyranny of the "boss", domestic strife, etc.

A small number preys on all the others. The great mass of the people groan, many in the most degrading poverty.

The sick remain without care; children are poorly or insufficiently nourished; talents go undeveloped; youths can neither find a job nor start a home or family; farmers lose their farms; industrialists go bankrupt; families struggle along with difficulty — all this without any other justification than the lack of money. The banker's pen imposes privations on the people, servitude on the governments.

With all this said, a striking point must be emphasized: it is production that gives value to money. A pile of money without corresponding products does not keep anyone alive, and is absolutely worthless. Thus, it is the farmers, the industrialists, the workers, the professionals, the organized citizenry, who make products, goods and services. But it is the bankers who create the money, based on these products. And the bankers appropriate this money, which draws its value from the products, and lend it to those who make the products.

A debt-money system: The Money Myth Exploded



The way money is created by private banks as a debt is well explained in Louis Even's parable, *The Money Myth Exploded*, in which the economic system is clearly divided into two parts: the producing system and the financial system. So, on the one side, there are five shipwrecked people on an island, who produce all the necessities of life, and on the other side, a banker, who lends them money. To simplify this example, let us say there is only one borrower on behalf of the community; we'll call him Paul.

Paul decides, on behalf of the community, to borrow a certain amount of money from the banker, an amount sufficient for business in the little community, say $100, at 6% interest. At the end of the year, Paul must pay the bank an interest of 6%, that is to say, $6. 100 minus 6 = 94, so there is $94 left in circulation on the island. But the $100 debt remains. The $100 loan is therefore renewed for another year, and another $6 of interest is due at the end of the second year. 94 minus 6, leaves $88 in circulation. If Paul continues to pay $6 in interest each year, by the seventeenth year there will be no more money left in circulation on the island. But the debt will still be $100, and the banker will be authorized to seize all the properties of the island's inhabitants.

Production has increased on the island, but not the money supply. It is not products that the banker wants, but money. The island's inhabitants were making products, but not money. Only the banker has the right to create money. So, it seems that Paul wasn't wise to pay the interest yearly.

Let's go back to the beginning of our example. Let's say that at the end of the first year, Paul chooses not to pay the interest, but to borrow it from the banker, thereby increasing the loan principal to $106. "No problem," says the banker, "the interest on the additional $6 is only 36 cents; it is peanuts in comparison with the $106 loan!" So the debt at the end of the second year is: $106 plus the interest at 6% of $106, $6.36, for a total debt of $112.36 after two years. At the end of the fifth year, the debt is $133.82, and the interest is $7.57. "It is not so bad," thinks Paul, "the interest has only increased by $1.57 in five years. We can handle that." But what will the situation be like after 50 years?

$100 debt growth at 6% interest

Year	Original borrowed capital	Debt at year end *	Interest due at year end	Money in circulation
1	$100	$106.00	$6.00	$100
2	(remains	$112.36	6.36	(remains
3	the same)	119.10	6.74	the same)
4	"	126.25	7.15	"
5	"	133.82	7.57	"
10	"	179.08	10.14	"
20	"	320.71	18.15	"
30	"	574.35	32.51	"
40	"	1,028.57	58.22	"
50	"	1,842.02	104.26	"
60	"	3,298.77	186.72	"
70	"	5,907.59	334.39	"

* includes interest due

The debt increase is moderate in the early years, but the debt increases very fast with time to unbelievably big numbers. And note, the debt increases each year, but the original borrowed principal (amount of money in circulation) always remains the same. At no time can the debt be paid off with the money that exists in circulation, not even at the end of the first year: there is only $100 in circulation, and a debt of $106 remains. And at the end of the fiftieth year, all the money in circulation ($100) won't even pay the interest due on the debt: $104.26.

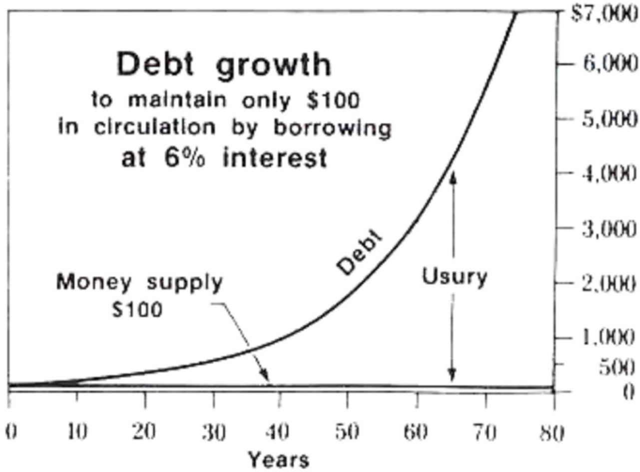
All money in circulation is a loan and must be returned to the bank, increased with interest. The banker creates money and lends it, but he has the borrower's pledge to bring all this money back, plus other money he did not create. Only the banker can create money: he creates the principal, but not the interest. And he demands that we pay him back, in addition to the principal that he created, the interest that he did not create, and that nobody else created either. As it is impossible to pay back money that does not exist, debts accrue. **The public debt is made up of money that does not exist, that has never been created, but that governments nevertheless have committed themselves to paying back. An impossible contract, represented by the bankers as a "sacrosanct contract", to be abided by, even though human beings die because of it.**

Compound interest

The sudden increase in the debt after a certain number of years can be explained by the effect of what is called compound interest. Contrary to simple interest, which is paid only on the original borrowed capital, compound interest is paid on both the principal plus the accumulated unpaid interest. Thus, with simple interest, a $100 loan at 6% interest would give, at the end of 5 years, a debt of $100 plus 5 times 6% of $100 ($30.00), for a total debt of $130. But with compound interest, the debt at the end of the fifth year is the sum of the debt of the previous year ($126.35) plus 6% interest of this amount, for a total debt of $133.82.

Put all these results on a chart (*see next page*): the horizontal line across the bottom of the chart is marked off in years, and the vertical line is marked off in dollars. By connecting all these points by a line, we trace a curve, and you see the effect of compound interest and the growth of the debt:

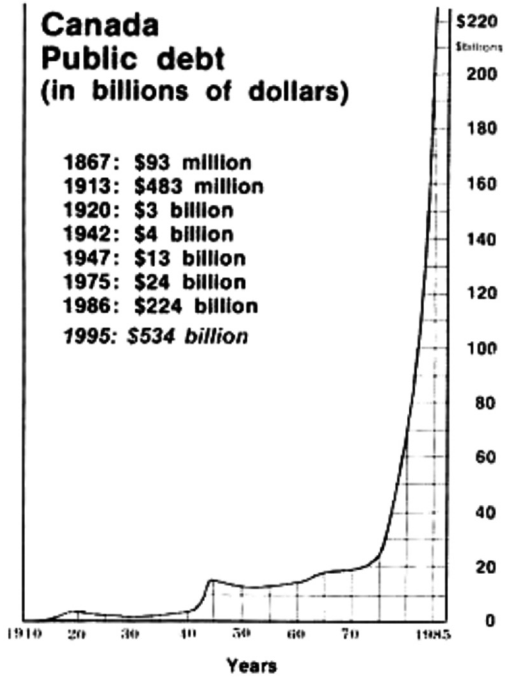
The curve is quite flat at the beginning, but then becomes steeper as time goes on. The debts of all countries follow the same pattern, and are increasing in the same way. Let us study, for example, Canada's public debt.



Canada's public debt

Each year, the Canadian Government draws up a budget wherein are estimated the expenditures and the revenues for the year. If the Government takes in more money than it spends, there is a surplus; if it spends more than it takes in, there is a deficit. Thus, for the fiscal year 1985/86 (the Government's fiscal year runs from April 1 to March 31), the Federal Government had expenditures of $105 billion and revenues of $71.2 billion, leaving a deficit of $33.8 billion. This deficit represents a deficiency in revenues. (The Federal Debt has managed to balance its budget over the recent years, but it is simply because it downloaded its deficit on provinces and municipalities, forcing them to make cuts in health and other basic services. This does not prevent the overall debt of all public administrations from continuing to increase.) The national debt is the total accumulation of all budgetary deficits since Canada came into existence (the Confederation of 1867). Thus, the 1986 deficit of $33.8 billion is added to the debt of 1985, $190.3 billion, for a total debt of $224.1 billion in 1986. (By January, 1994, Canada's public debt reached the $500-billion mark.)

When Canada was founded in 1867 (the union of four provinces — Ontario, Quebec, New Brunswick, and Nova Scotia), the country's debt was $93 million. The first major increase took place during World War I (1914-18), when Canada's public debt went up from $483 million in 1913 to $3 billion in 1920. The second major increase took place during World War II (1939-45), when the debt went up from $4 billion in 1942 to $13 billion in 1947. These two increases may be explained by the fact that the Government had to borrow large sums of money in order to take part in these two wars.



But how can be explained the phenomenal increase of these last years, when the debt almost increased ten times, passing from $24 billion in 1975 to $224 billion in 1986, in peacetime, when Canada had no need to borrow for war?

It is the effect of **compound interest**, like in the example of the island in *The Money Myth Exploded*. The debt increases slowly in the early years, but grows extremely fast in the following years. And Canada's public debt has even increased more rapidly during these more recent years than during the example given in Louis Even's parable: on the island, the interest rate always remained at 6%, while this rate varied in Canada, rising from 2% during World War II to a high of 22% in 1981.

Here is another explanation for Canada's faster debt growth: unlike in Louis Even's parable, in which the money supply always remains the same, $100, the amount of money in circulation in Canada has increased many times since Confederation, which meant more borrowings... and more debts!

There is a big difference between interest rates of 6%, 10%, or 20%, when you speak of compound interest. The following are the sums that $1.00 will amount to in 100 years, loaned at the rates of interest shown and compounded annually:

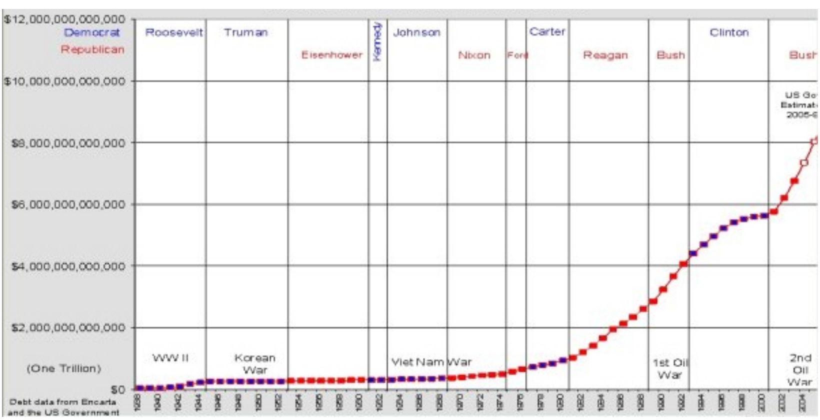
at 1%............................$2.75
at 2%.........................$19.25

at 3%........................$340.00
at 10%..................$13,809.00
at 12%........... $1,174,406.00
at 18%...........$15,145,207.00
at 24%.........$251,799,494.00

And at 50%, it would eat up the world ! There is a formula to calculate approximately the amount of time it will take for an amount, at compound interest, to double; it is the “Rule of 72”: You divide 72 by the interest rate. It gives you the number of years it will take for the amount to double. Thus, an interest rate of 10% will cause a loan to double in 7.2 years (72 divided by 10).

All this is to show that any interest demanded on money created out of nothing, even at a rate of 1%, is usury. In his November 1993 report, Canada’s Auditor General calculated that of the $423 billion in net debt accumulated from Confederation to 1992, only $37 billion went to make up the shortfall in program spending. The remaining $386 billion covered what it has cost to borrow that $37 billion. In other words, 91% of the debt consisted of interest charges, the Government having spent only $37 billion (8.75% of the debt) for actual goods and services.)

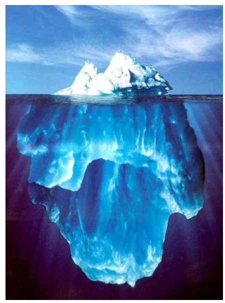
The public debt of the United States



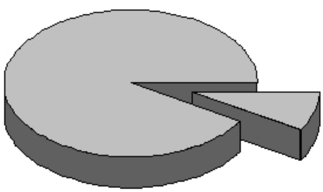
United States National Debt (1938-2005)

The public debt of the United States follows the same curve as Canada’s, but with figures ten times bigger. As was the case with Canada, the first significant increases in the public debt took place during war times: the American Civil War (1861-1865), World Wars I and II. For example, the debt, which totalled $1.2 billion in 1916, jumped to $25 billion in 1919. From 1939 to 1945, it went up from $40 billion to $258 billion. From 1975 to 1986, the debt went up from $533 billion to $2,125 billion.

In October 2005, the federal debt reached the $8 trillion mark ($26,672 for each U.S. citizen), and it is continuing to grow wildly out of control. (For the fiscal year 2004, the interest payments on the U.S. federal debt were $321 billion.) **And that's only the peak of the iceberg: If there are public debts, there are also private debts!** The Federal Government is the biggest single borrower, but not the only borrower in the country: there are also individuals and companies. In the United States, in 1992, the public debt was $4 trillion, and the total debt was $16 trillion, with an existing money supply of only $950 billion. In 2006, the total debt (states, corporations, consumers) is over $41 trillion!



Canadian Debt 1867-1992 – $423 billion



The effect of compound interest
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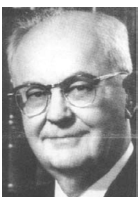
Lesson 4

The solution: debt-free money created by society

The cost of servicing the public debt increases proportionally to the debt, since it is a percentage of this same debt. To finance its debt, the Federal Government sells Treasury Bills and other bonds, most of them being bought by chartered banks.

As regards the sale of Treasury bonds, the Government is a stupid seller: it does not sell its bonds to the banks; it gives these bonds away to them, since these bonds cost the banks nothing: the banks do not lend the money; they create it. Not only do banks get something for nothing, but they also get interest on it.

On September 30, 1941, a revealing exchange took place between Mr. Wright Patman, Chairman of the U.S. House of Representatives Banking and Currency Committee, and Mr. Marriner Eccles, Chairman of the Federal Reserve Board (the central bank of the U.S.A.) concerning a $2 billion monetary issue which the Bank created:



W. Patman

M. Eccles

Mr. Patman: "How did you get the money to buy those $2 billion of Government securities?"

Mr. Eccles: "We created it."

Mr. Patman: "Out of what?"

Mr. Eccles: "Out of the right to issue money, credit."

Mr. Patman: "And there is nothing behind it, except the Government's credit?"

Mr. Eccles: "We have the Government bonds."

Mr. Patman: "That's right, the Government's credit."

This puts us on the right track for a solution to the debt problem: if these bonds are based on the Government's credit, why would the Government have to go through the banks to use its own credit?

It is not the banker who gives value to money, but the credit of the Government, of society. The only thing the banker does in this transaction is to make an entry in a ledger, writing figures which allow the country to make use of its own production capacity, its own wealth.

Money is nothing else but that: a figure — a figure which is a claim on products. Money is only a symbol, a creation of the law, according to Aristotle's words. Money is not wealth, but the symbol that gives rights to wealth. Without products, money is worthless. So, why pay for figures? Why pay for something which costs nothing to make?

And since this money is based on the production capacity of society, this money also belongs to society. Then, why should society pay the bankers for the use of its own money? Why pay for the use of our own goods? Why doesn't the Government issue its own money directly, without going through the banks?

Even the first Governor of the Bank of Canada admitted that the Federal Government had the right to issue its own money. Graham Towers, who was Governor of the Bank from 1935 to 1951, was asked the following question, before the Canadian Committee on Banking and Commerce, in the spring of 1939:


Graham Towers

Question: "Will you tell me why a government with the power to create money should give that power away to a private monopoly and then borrow that which Parliament can create itself, back at interest, to the point of national bankruptcy?"

Towers' answer: "Now, if Parliament wants to change the form of operating the banking system, that is certainly within the power of Parliament."


Thomas Edison

U.S. inventor Thomas Edison said: **"If our nation can issue a dollar bond, it can issue a dollar bill. The element that makes the bond good, makes the bill good also. The difference between the bond and the bill is that the bond lets the money brokers collect twice the amount of the bond and an additional 20 percent, whereas the currency pays nobody but those who contribute directly to Muscle Shoals in some useful way...**

"It is absurd to say that our country can issue $30 million in bonds and not $30 million in currency. Both are promises to pay, but one fattens the usurers and the other helps the people. If the currency issued by the Government was

no good, then the bonds would be no good either. It is a terrible situation when the Government, to increase the national wealth, must go into debt and submit to ruinous interest charges at the hands of men who control the fictitious value of gold."

Here are some questions the Social Crediters are often asked:

Question: Does the Government have the power to create money? Would this money be as good as that of the banks?

Answer: The Government has indeed the power to create, issue the money of our country, since it is itself, the Federal Government, that has given this power to the chartered banks. For the Government to refuse to itself a privilege it has granted to the banks, is the height of imbecility! Moreover, it is actually the first duty of any sovereign government to issue its own currency, but all the countries today have unjustly given up this power to private corporations, the chartered banks. The first nation that thus surrendered to private corporations its power to create money was Great Britain, back in 1694. In both Canada and the U.S.A., this right was surrendered in 1913.

No danger of inflation

Question: Is there not any danger that the Government might misuse this power and issue too much money, which would result in runaway inflation? Is it not preferable for the Government to leave this power to the bankers, in order to keep it away from the whims of the politicians?

Answer: The money issued by the Government would be no more inflationary than the money created by the banks: it would be the same figures, based on the same production of the country. The only difference is that the Government would not have to get into debt, or to pay interest, in order to obtain these figures.

On the contrary, the first cause of inflation is precisely the money created as a debt by the banks: inflation means increasing prices. The obligation for the corporations and governments that are borrowing to bring back to the banks more money than the banks created, forces the corporations to increase the prices of their products, and the governments to increase their taxes.

What is the means used by the present Governor of the Bank of Canada to fight inflation? Precisely what actually increases it, that is to say, to increase the interest rates! As many Premiers put it, "It is like trying to extinguish a fire by pouring gasoline over it."

It is obvious that if the Canadian Government decided to create or print money anyhow, without any limits, according to the whims of the men in office, without any relation with the existing production, there would definitely be runaway inflation. This is not at all what is proposed here by the Social Crediters.

Accurate bookkeeping

What the Social Crediters advocate, when they speak of money created by the Government, is that money must be brought back to its proper function, which is to be a figure, a ticket, that represents products, which in fact is nothing but simple bookkeeping. And since money is nothing but a bookkeeping system, the only necessary thing to do would be to establish accurate bookkeeping:

The Government would appoint a commission of accountants, an independent organism called the "National Credit Office" (in Canada, the Bank of Canada could well carry out this job if ordered to do so by the Government). This National Credit Office would be charged with setting up accurate accounting, where money would be nothing but the reflection, the exact financial expression, of economic realities: production would be expressed in assets, and consumption in liabilities. Since one cannot consume more than what has been produced, the liabilities could never exceed the assets, and deficits and debts would be impossible.

In practice, here is how it would work: the new money would be issued by the National Credit Office as new products are made, and would be withdrawn from circulation as these products are consumed (purchased). (Louis Even's booklet, *A Sound and Effective Financial System*, explains this mechanism in detail.) Thus there would be no danger of having more money than products: there would be a constant balance between money and products, money would always keep the same value, and any inflation would be impossible. Money would not be issued according to the whims of the Government nor of the accountants, since the commission of accountants, appointed by the Government, would act only according to the facts, according to what the Canadians produce and consume.

The best way to prevent any price increase is to lower prices. And Social Credit does also propose a mechanism to lower retail prices, called the "compensated discount", which would allow the consumers to purchase all of the available production for sale with the purchasing power they have at their disposal, by

lowering retail prices (a discount) by a certain percentage, so that the total retail prices of all the goods for sale would equal the available total purchasing power of the consumer. This discount would then be refunded to the retailers by the National Credit Office. ***(This will be explained in Lesson 6.)***

No more financial problems

If the Government issued its own money for the needs of society, it would be automatically able to pay for all that can be produced in the country, and would no longer be obliged to borrow from foreign or domestic financial institutions. The only taxes people would pay would be for the services they consume. One would no longer have to pay three or four times the actual price of public developments because of the interest charges.

So, when the Government would discuss a new project, it would not ask: “Do we have the money?”, but: “Do we have the materials and the workers to realize it?”. If it is so, new money would be automatically issued to finance this new production. Then the Canadians could really live in accordance with their real means, the physical means, the possibilities of production. In other words, all that is physically possible would be made financially possible. There would be no more financial problems. The only limit would be that of the producing capacity of the nation. The Government would be able to finance all the developments and social programs demanded by the population that are physically feasible.

Under the present debt-money system, if the debt were to be paid off to the bankers, there would be no money left in circulation, creating a depression infinitely worse than any of the past. Let us quote again the exchange between Messrs. Patman and Eccles before the House Banking and Currency Committee, on September 30, 1941:

Mr. Patman: “You have made the statement that people should get out of debt instead of spending their money. You recall the statement, I presume?”

Mr. Eccles: “That was in connection with installment credit.”

Mr. Patman: “Do you believe that people should pay their debts generally when they can?”

Mr. Eccles: “I think it depends a good deal upon the individual; but of course, if there were no debt in our money system...”

Mr. Patman: “That is the point I wanted to ask you about.”

Mr. Eccles: "There wouldn't be any money."

Mr. Patman: "Suppose everybody paid their debts, would we have any money to do business on?"

Mr. Eccles: "That is correct."

Mr. Patman: "In other words, our system is based entirely on debt."

How can we ever hope to get out of debt when all the money to pay off the debt is created by creating a debt? Balancing the budget is an absurd straitjacket. What must be balanced is the capacity to pay, in accordance with the capacity to produce, and not in accordance with the capacity to tax. Since it is the capacity to produce that is the reality, it is the capacity to pay that must be modeled on the capacity to produce, to make financially possible what is physically feasible.

Repayment of the debt

Paying off one's debt is simple justice if this debt is just. But if it is not the case, paying this debt would be an act of weakness. As regards the public debt, justice is making no debts at all, while developing the country. First, let us stop building new debts. For the existing debt, the only bonds to be acknowledged would be those of the savers; they who do not have the power to create money. The debt would thus be reduced year after year, as bonds come to maturity.

The Government would honour in full only the debts which, at their origins, represented a real expense on the part of the creditor: the bonds purchased by individuals, and not the bonds purchased with the money created by the banker, which are fictitious debts, created by the stroke of a pen. As regards Third-World countries' debts, they are essentially owed to banks, which created all the money loaned to these countries. These same countries would therefore have no interest charges to pay back, and their debts would be, virtually, written off. Banks would lose nothing, since it is they that had created this money, which did not exist before.

John Paul II

Now we see how right are those who call for a reform of the financial system and the cancellation of debts, starting with Pope John Paul II, who wrote in his Apostolic Letter *Tertio*

Millennio Adveniente, for the celebration of the Jubilee of the Year 2000:

"Thus, in the spirit of the Book of Leviticus (25:8-12), Christians will have to raise their voice on behalf of all the poor of the world, proposing the Jubilee as an appropriate time to give thought, among other things, to reducing substantially, if not cancelling outright, the international debt which seriously threatens the future of many nations."

The social control of money

It is Saint Louis IX, King of France, who said: **"The first duty of a king is to coin money when it is necessary for the sound economic life of his subjects."**

Saint Louis IX

It is not at all necessary, nor to be recommended, that banks be abolished or nationalized. The banker is an expert in accounting and investing; he may well continue to receive and invest savings with profit, taking his share of profits. But the creation of money is an act of sovereignty which should not be left in the hands of a bank. Sovereignty must be taken out of the hands of the banks and returned to the nation.

Book money is a good modern invention that should be retained. But instead of it proceeding from a private pen, in the form of a debt, those figures, which serve as money, should come from the pen of a national organism, in the form of money destined to serve the people.

Therefore nothing is to be turned upside down in the field of ownership or investment. There is no need to abolish the current money and replace it with other kinds of money. All that is needed is that a social monetary organism add enough of the same kind of money to the money that already exists, according to the country's possibilities and the population's needs.

We must stop suffering from privations when there is everything needed in the country to bring comfort into every home. The amount of money in circulation must be measured according to the demand of the consumers for possible and useful goods.

It is therefore the producers and consumers as a whole, the whole of society, which, in producing goods to meet needs, should determine the amount of new money that an organism, acting in the name of society, should put into circulation from time to time, in accordance with the country's developments.

Thus the people would recover their right to live full lives, in accordance with the country's resources and the great possibilities of modern production.

Who owns the new money?

Money should therefore be put into circulation according to the rate of production and as the needs of distribution dictate.

But to whom does this new money belong when it comes into circulation in the country? — This money belongs to the citizens themselves. It does not belong to the Government, which is not the owner of the country, but only the protector of the common good; nor does it belong to the accountants of the national monetary organism: like judges, they carry out a social function and are paid, according to law, by society for their services.

To which citizens? — To all. This money is not a salary. It is new money injected into the public, so that the people, as consumers, may obtain goods already made or easily realizable, which are awaiting only sufficient purchasing power for them to be produced.

One cannot imagine for one moment that the new money, which comes gratuitously from a social organism, only belongs to one or a few individuals in particular.

There is no other way, in all fairness, of putting this new money into circulation than by distributing it equally among all citizens without exception. Such a sharing also makes it possible to derive the maximum benefit from the money, since it reaches into every corner of the land.

Let us suppose that the accountant who acts in the name of the nation finds it necessary to issue another $1 million in order to meet the latest needs of the country. This issuance could take the form of book money, the inscription of figures in ledgers, as the banker does today.

Since there are 31 million Canadians and 1 billion dollars to share, each citizen would get $32.25. So the accountant would inscribe $32.25 in each citizen's account. Such individual accounts could easily be looked after by the local post offices, or by branches, or by a bank owned by the nation.

This is the national dividend. Each citizen would have an extra $32.25 to his own credit, in an account bringing money into existence. This money would have been created and put into circulation by a national monetary organism, an institution especially established for this end by a law of Parliament.

To each the dividend

Whenever it might become necessary to increase the amount of money in a country, each man, woman and child, regardless of age, would thus get his or her share of the new stage of progress that makes the new money necessary.

This is not payment for a job done, but a dividend to each one for his share in a common capital. If there is private property, there is also community property that all possess in the same way.

Here is a man who has nothing but the rags he is covered with. Not a meal in front of him, not a penny in his pocket. I can say to him:

"My dear fellow, you think you are poor, but you are a capitalist who possesses a great deal of things in the same way I and the Prime Minister do. The province's waterfalls, the crown forests, are yours as well as mine, and they can easily bring you in an annual income.

"The social organization, which makes it possible for our community to produce a hundred times more and better than if we lived in isolation, is yours as well as mine, and must be worth something to you as it is to me.

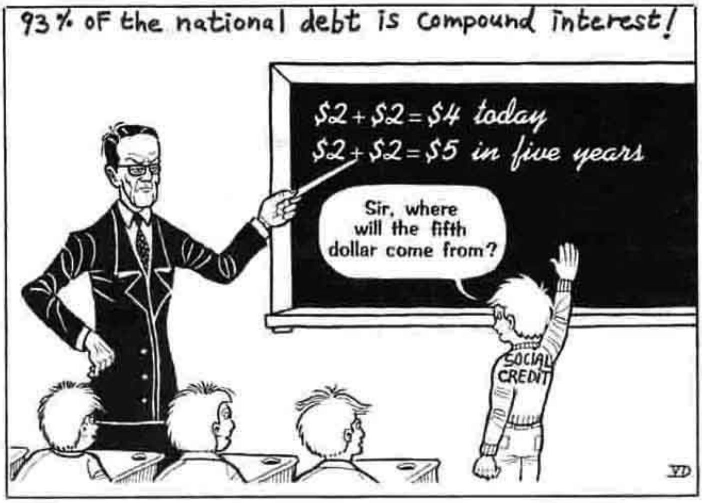
"Science, which makes industry able to multiply production almost without human labour, is a heritage passed on to each generation, a heritage that is continuously growing; and you, who are a member of this generation just as I am, should have a share in this legacy, just as I do.

"If you are poor and naked, my friend, it is because your share has been stolen from you and put under lock and key. When you have no food, it is not because the rich eat all the grain in the land; it is because your share is still lying in the grain elevators. You have been deprived of the means of getting that grain.

"The Social Credit dividend will ensure that you get your share, or at least a major portion of it. A better administration, freed from the financiers' influence and able to cope with these exploiters of men, will see to it that you get the rest.

"It is also this dividend that will recognize you as a member of the human species, in virtue of which you are entitled to a share of this world's goods, at least the necessary share to exercise your right to live."

Should money claim interest?



We believe that there is not one thing in the world which lends itself to so much abuse as money. This is not because money in itself is a bad thing. On the contrary, money is probably one of man's most brilliant inventions, making trade flexible, favouring the sale of goods as required by needs, and making life in society easier.

But, to place money on an altar is idolatry. To make of money a living thing, which gives birth to other money, is unnatural.

Money does not breed money, as the Greek philosopher Aristotle said. Yet, how many contracts are entered into — contracts between individuals, contracts between governments and creditors, which stipulate that money must breed money, or else properties or freedoms are forfeited?

Little by little, everybody has sided behind the theory, and especially behind the practice, that money must produce interest. And in spite of all the Christian teaching to the contrary, the practice has made so much headway that, so as not to lose in the furious competition around the fertility of money, everybody must behave today as if it was natural for money to breed money. The Church has not abrogated her old laws, but it has become impossible for her to insist on their application.

The methods used to finance World War II, in which we were Churchill, Roosevelt, and Stalin's acolytes to defend Christianity, solemnly consecrated the rule that money, even money thrown into the sea or into the burning flames of cities, must bear interest. We refer here to the Victory Bonds, which financed destruction, which did not produce anything, and which had to bear interest just the same.

Interest and dividends

So that our readers do not pass out thinking about their savings put into industry or loan institutions, let us hastily make a few distinctions.

If money cannot increase by itself, there are things that money buys which logically produce developments. Thus

I set aside $5,000 to purchase a farm, or animals, seeds, trees, machinery. With intelligent work, I will make these things produce others.

The $5,000 was an investment. By itself it has not produced anything; but thanks to this $5,000, I have been able to get things that have produced.

Let us suppose that I did not have this $5,000. But my neighbour had it, and he did not need it for a couple of weeks. He loaned it to me. I think it would be proper for me to show my gratitude by letting him have a small portion of the products which I get, thanks to the productive capital which I have thus been able to obtain.

It is my work which has made his capital profitable. But this capital itself represents accumulated work. We are then two, whose activities — gone by for him, present for me — cause some production to appear. The fact that he waited to draw on the country's production with the money he received as a reward for his work allowed me to get the means of production that I would not have had without it.

We are therefore able to divide the fruits of this collaboration between us. There remains to determine, by agreement and equity, the part of production that is owed to the capital.

What my lender will get in this case is, strictly speaking, a dividend. (We divided the fruits of production.)

The dividend is perfectly justifiable, when production is fruitful.

This is not exactly the idea that is generally attached to the word “interest”. Interest is a claim made by money, in function of time only, and independently of the results of the loan.

Here is $1,000. I invest it in federal, provincial, or municipal bonds. If I purchase bonds that bear 4% interest, I ought to get $40 in interest every year, just as truly as the earth will make one revolution around the sun during this period of time. Even if the capital is used up without any profit, I must get my $40. That is interest.

We cannot see anything that justifies this claim, save that it is customary. It does not rest upon any principle.

There is therefore justification for a dividend, because it is subordinated to production growth. There is no justification for interest in itself, because it is dissociated from realities; it is based on the erroneous idea of a natural and periodical generation of money.

Indirect investments

In practice, he who brings his money to the bank indirectly puts it into a productive industry. The bankers are professional lenders, and the depositor passes his money to them, because they are capable of making it thrive better than he can, without having to look after it himself.

The small interest that the banker enters to the depositor’s credit from time to time, even at fixed rates, is in fact a dividend, a share from the income that the banker, with the help of the borrowers, has obtained from productive activities.

Anonymous investments

In passing, let us say a word on the morality of investments. Many people are not preoccupied in the least with the usefulness or the noxiousness of activities that their money will finance. As long as it yields profits, they say, it is good. And the more profit it yields, the better the investment is. A pagan would not reason differently.

If a house-owner does not have the right to rent his house to serve as a brothel, even though it would be very profitable, the owner of savings does not have any more right to put them into enterprises which ruin souls, even if the enterprises fill pockets.

Moreover, it would be much preferable for the backer and the entrepreneur to be less dissociated. The smaller industry of old was much more sound: The financier and the entrepreneur were the same person. The corner storekeeper is still in the same situation. The chain stores are not. The co-operative, the association of people, keeps the relation between the use of money and its owner, and has the advantage of making possible enterprises which exceed the resources of one sole individual.

The growth of money

Let us go back to the beginning question: Should money claim interest? We are therefore inclined to answer: Money can claim dividends when there are fruits. Otherwise, no.

If contracts are drafted differently, if the farmer must pay back interest, even though he did not receive any crop that year; if the farmers of Western Canada must honour liabilities at 7%, when the Financiers who lead the world cause prices to fall to one-third of what they were, this does not change anything about the principle. The only thing this proves is that reality has been exchanged for trickery.

But if money can claim dividends, when there is a production increase, this production increase must automatically create an increase in money. Otherwise, the dividend, while being perfectly justifiable, becomes impossible to provide without dealing a blow to the public from which it was extracted.

I was saying a few lines above: If, thanks to the $5,000 which allowed me to buy ploughing implements, I have increased my production, the lender is entitled to a share of these good results. This is very easy to do if I let him have a share of these increased products. But if it is money that I must give to him, it is quite another story. If there is no increase of money in the public, my increased production creates a problem: more offered goods, but no increase of money in step with them. I may be successful at displacing another seller, but he will be the victim.

You can tell me that the $5,000 must have contributed to increasing money in circulation. Yes, but I must pump back the $5,000, plus what I call the dividend, what others call interest.

Then the problem is not settled. And in our economic system, it cannot be. For money to increase, it is necessary that the bank — the only place where the increase is created — lends some somewhere. But in lending it, the bank exacts a repayment that is also increased. The problem snowballs.

The Social Credit system would settle that problem, as well as settle many other problems.

The dividend is a legitimate, normal, logical thing. But the present system does not allow anyone to pay it without making it hurt somewhere.

Our Lord drives the money changers out of the Temple

As a matter of fact, the only passage in the Gospel where it is mentioned that Jesus used force is when He drove the money changers out of the Temple with a scourge of cords, and overthrew their tables (as reported in Matthew 21:12-13 and Mark 11:15-19), precisely because they were lending money at interest.

There was, at that time, a law that the tithes or taxes of the Temple could be paid only in one certain coin called the "half shekel of the sanctuary", of which the money changers had managed to obtain the monopoly. There were several different coins at that time, but the people had to obtain this particular coin with which to pay their Temple Tax. Moreover, the doves and the animals that the people bought for sacrifice also could only be bought with this same special coin that the money changers exchanged to the pilgrims, but at a cost of twice or more times its actual worth, when it was used to buy commodities. So Jesus overthrew their tables, and said:

"My house shall be called a house of prayer; but you have made it a den of thieves."

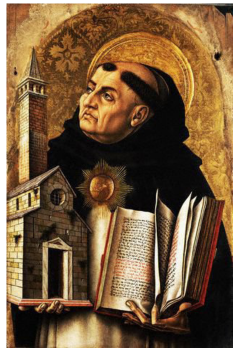
The teaching of the Church

The Bible contains several texts that clearly condemn the lending of money at interest. Moreover, more than 300 years before Jesus Christ, the great Greek philosopher Aristotle also condemned lending at interest, pointing out that "money, being naturally barren, to make it breed money is preposterous." Furthermore, the Fathers of the Church, since the remotest times, always unequivocally denounced usury. Saint Thomas Aquinas, in his Summa Theologica (2, 2, Q. 78), thus summarized the teaching of the Church on lending money at interest:

"It is written in the Book of Exodus (22, 24): `If you lend money to any of my people who are poor, that dwells with you, you shall

not be hard upon them as an extortioner, nor oppress them with usury.' He who takes usury for a loan of money acts unjustly, for he sells what does not exist, and such an action evidently constitutes an inequality and, consequently, an injustice... It follows then that it is wrong in itself to take a price (usury) for the use of money lent, and as in the case of other offenses against justice, one is bound to make restitution of his unjustly acquired money."

In reply to the text of the Gospel on the parable of the talents (Matthew 25:14-30 and Luke 19:12-27) which, at first sight, seems to justify interest ("Wicked and slothful servant... why did you not put my money into the bank, so that I might have recovered it with interest when I came?"), Saint Thomas Aquinas wrote:



St. Thomas Aquinas

"The interest mentioned in the Gospel must be taken in a figurative sense; it means the additional spiritual goods asked of us by God, who wants us to always make better use of the goods He entrusted us with, but this is for our benefit and not His."

So this text of the Gospel cannot justify interest since, as Saint Thomas says, "an argument cannot be based on figurative expressions."

Another passage of the Bible that presents difficulties is Deuteronomy 23:20-21: "You shall not demand interest from your brother on a loan of money or food or of anything else. You may demand interest from a foreigner, but not from your brother." Saint Thomas explains:

"The Jews were forbidden to take interest from `their brothers', that is to say, from other Jews; this means that demanding interest on a loan from anyone is wrong, strictly speaking, for one must consider every man as `one's neighbour and brother', especially according to the evangelical law that must rule mankind. So the Psalmist, talking about the just man, says unreservedly: `he who lends not his money at usury' (14:4) and Ezekiel (18:17): `a son who accepts no interest or usury'."

If the Jews were allowed to demand interest from a foreigner, Saint Thomas wrote, it was tolerated in order to avoid a greater evil, for fear that they might charge interest to other Jews, the worshippers of the true God. Saint Ambrose, commenting on the same text, gives to the word “foreigners” the meaning of “enemies”, and concludes: “One may seek interest from the one he legitimately wants to harm, from the one whom it is lawful to wage war with.”

Saint Ambrose also said: “What is usury, if not killing a man?”

Saint John Chrysostom: “Nothing is more shameful or cruel than usury.”

Saint Leo: “The avarice that claims to do its neighbour a good turn while it deceives him is unjust and insolent... He who, among the other rules of a pious conduct, will not have lent his money at usury, will enjoy eternal rest... whereas he who gets richer to the detriment of others deserves, in return, eternal damnation.”

In 1311, at the Council of Vienna, Pope Clement V declared null and void all secular legislation in favour of usury, and “all who fall into the error of obstinately, maintaining that the exaction of usury is not sinful, shall be punished as heretics.”

Benedict XIV

Vix Pervenit

On November 1, 1745, Pope Benedict XIV issued the encyclical letter ***Vix Pervenit***, addressed to the Bishops of Italy, about contracts, and in which usury, or money-lending at interest, is clearly condemned. On July 29, 1836, Pope Gregory XVI extended this encyclical to the whole Church. It says:

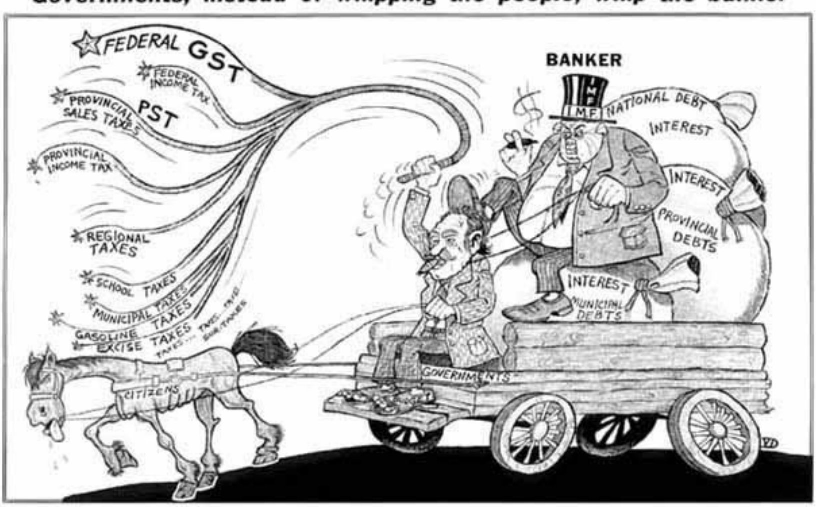
“The kind of sin called usury, which lies in the loan, consists in the fact that someone, using as an excuse the loan itself — which by nature requires one to give back only as much as one has received — demands to receive more than is due to him, and consequently maintains that, besides the capital, a profit is due to him, because of the loan itself. It is for this reason that any profit of this kind that exceeds the capital is illicit and usurious.

“And in order not to bring upon oneself this infamous note, it would be useless to say that this profit is not excessive but moderate; that it is not large, but small... For the object of the law of lending is necessarily the equality between what is lent and what is given back... Consequently, if someone receives more than he lent, he is bound in commutative justice to restitution...”

In 1891, Pope Leo XIII wrote in his Encyclical Letter *Rerum Novarum*: **"The mischief has been increased by rapacious usury, which, although more than once condemned by the Church, is nevertheless, under a different guise, but with like injustice, still practiced by covetous and grasping men. "**

On this matter, it is interesting to consider the experience of the Islamic banks: the Koran — the holy book of the Moslems — forbids usury, as the Bible of the Christians does. But the Moslems took these words seriously and have set up, since 1979, a banking system that conforms with the rules of the Koran: Islamic banks charge no interest on neither current nor deposit accounts. They invest in business, and pay a share of any profits to their depositors. This is not the Social Credit system implemented in its entirety yet but, at least, it is a more than worthy attempt at putting the banking system in keeping with moral laws.

Governments, instead of whipping the people, whip the banker



If the country creates the money for the people, no more debts, taxes, unemployment, bankruptcies.

Lesson 5

The chronic shortage of purchasing power
The dividend

Financing production is not enough. Goods and services must also reach those who need them. In fact, the only reason for the existence of production is to meet needs and wants. Production must be distributed. How is it distributed today, and how would it be distributed under a Social Credit system?

Today, goods are put up for sale at certain prices. People who have money buy these goods by passing over the counter the required sum. This method allows those who have money to buy the goods that they want and need.

Now, Social Credit would in no way change this method of distributing goods. The method is flexible and good — provided, of course, that individuals who have needs also have the purchasing power to choose and buy the goods which would fill these needs.

Purchasing power in the hands of those who have needs and wants: it is precisely here that the present system is defective, and it is this defect that Social Credit would correct.

The money distributed in the form of wages, profits, and industrial dividends constitutes purchasing power for those who receive these various allotments. But there are a few flaws in the present system:

1. Industry never distributes purchasing power at the same rate that it generates prices.

2. The production system does not distribute purchasing power to everyone. It distributes it only to those who are employed in production.

Even if the banks charged no interest, at any given moment, the amount of money available to the community as purchasing power is never sufficient to buy back the total production made by industry.

And they still hesitate to change the wheel !

The economists maintain that production automatically finances consumption; that is to say, that the wages and salaries distributed to the consumers are sufficient to buy all the available goods and services. But facts prove just the opposite. Scottish engineer Clifford Hugh Douglas was the first to demonstrate this chronic shortage of purchasing power. He explained it this way:

A cannot buy A+B

The producer must include all his production costs in the price of his product. The wages distributed to the employees (which for convenience's sake can be labeled "A" payments) are only one part of the cost price of the product. The producer has other costs besides wage costs (which are labeled "B" payments), that are not distributed in wages and salaries, such as the payments for raw materials, taxes, banking charges, depreciation charges (to replace machinery), etc.

The retail price of the product must include all the costs: wages (A) and other payments (B). So the retail price of the product must be at least A + B. Then, it is obvious that the wages (A) cannot buy the sum of all the costs (A + B). So there is a chronic shortage of purchasing power in the present system.

There are more reasons for this gap between prices and purchasing power: When a finished good is put on the market, it comes with a price attached to it. But part of the money included in this price was distributed perhaps six months or a year ago, or even more. Another part will be distributed only once the good is sold, and the merchant takes out his profit. Another part will perhaps be distributed in ten years, when worn machinery — of which wear is included as an expense in the price — is replaced by new machinery, etc.

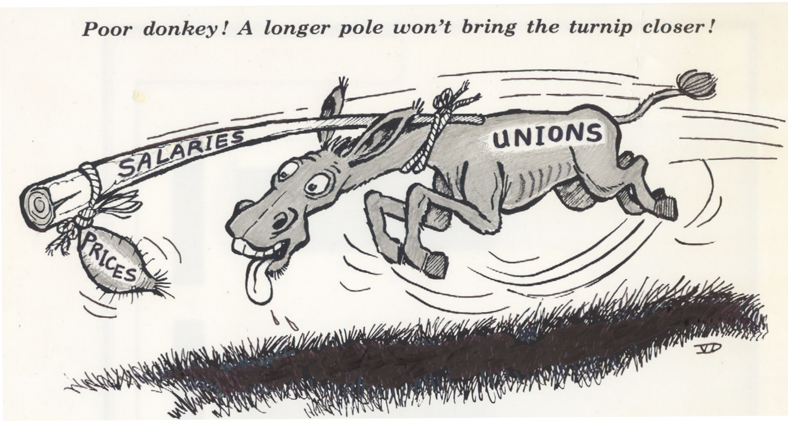
Then there are those individuals who receive money, and who do not spend it. This money is included in the prices, but it is not in the purchasing power of those who need goods.

The repayment of short-term bank loans, and the present fiscal system, increase the gap between the prices and the purchasing power. Hence the accumulation of goods, unemployment, and all that ensues.

Some people might say that the businesses paid with "B" payments (those that supplied the raw material, machinery, etc.) then paid wages to their own employees, and part of these "B" payments therefore become "A" payments. This changes nothing of what has been said before: this is simply a wage distributed in another step of production, and this "A" wage cannot be distributed without being included into a price, which cannot be less than A + B; the gap is still there.

If you try to increase wages and salaries, the wage increases will automatically be included in the prices, and it will accomplish nothing. (Like the donkey on the cartoon running after the turnip.) To be able to buy all of the production, an additional income is needed coming from a source other than wages and salaries, an income at least equivalent to B.

This is what the Social Credit dividend would do, being given every month to every citizen in the country. (This dividend would be financed with new money created by the nation, and not by the taxpayers' money.)



The Social Credit dividend would increase incomes without increasing prices nor salaries nor taxes

What has kept the system going

Without this other source of income (the dividend), there should be, theoretically, a growing mountain of unsold goods. But if goods are sold all the same, it is because, instead, we have a growing mountain of debt! Since people do not have enough money, retailers must encourage credit buying in order to sell their goods: buy now, pay later (or should we say more precisely, pay forever...) But this is not sufficient to fill the gap in the purchasing power.

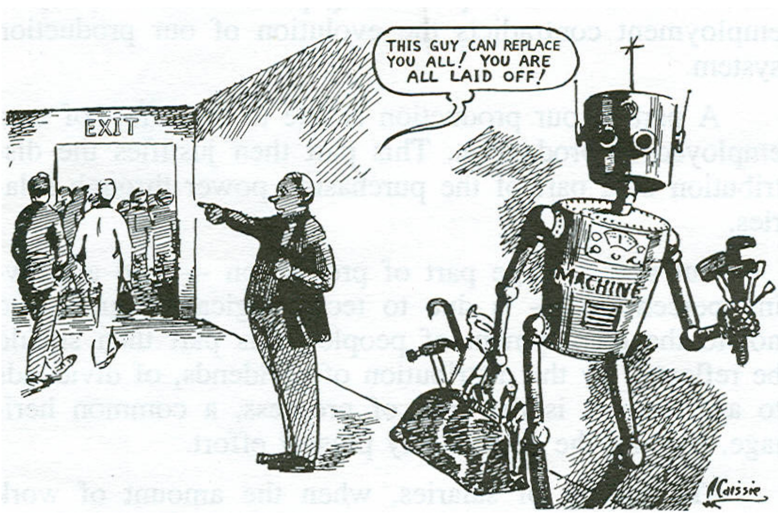
So there is also a growing stress upon the necessity for work that distributes wages without increasing the quantity of consumer goods for sale, such as public works (building bridges or roads), war industries (building submarines, airplanes, etc.). But this is not sufficient either.

So each country will strive to achieve a "favourable balance of trade", that is to say, to export, to sell to other countries more goods than it receives, in order to obtain from these foreign countries, the money that the population is lacking at home to buy their own products. However, it is impossible for all nations to have a "favourable balance of trade": if some countries manage to export more goods than they import, there must also necessarily be countries that receive more goods than they export. But no country wishes to be in that position, so it causes trade conflicts between nations that can degenerate into armed conflicts.

Then as a last resort, economists have discovered a new export market, a place where we can send our goods without anyone trying to send anything back, a place where there are no inhabitants: the moon, outer space. Some countries will spend billions of dollars building rockets to go to the moon or other planets; this huge waste of resources is just to generate wages that will be used to buy the production left in our countries. Our economists are really in the clouds!

Progress replaces the need for human labour

The second flaw in the present system is that the production system does not distribute purchasing power to everyone. It distributes it only to those who are employed in production. And the more the production comes from the machine, the less it comes from human labour. Production even increases, whereas required employment decreases. So there is a conflict between progress, which eliminates the need for human labour, and the system, which distributes purchasing power only to the employed.

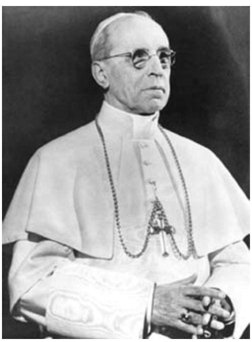


Yet, everybody has the right to live. And everybody is entitled to the basic necessities of life. Earthly goods were created by God for all men, and not only for those who are employed, or employable.

That is why Social Credit would do what the present system is not doing. Without in any way disturbing the system of reward for work, it would distribute to every individual a periodical income, called a "social dividend" — an income tied to the individual as such, and not to employment.

Earthly goods created for all

This is the most direct and concrete means to guarantee to every human being the exercise of his fundamental right to a share in the goods of the earth. Every person possesses this right — not as an employee in production, but simply as a human being.



Pius XII

Pope Pius XII said in his Pentecost radio-address of June 1, 1941:

"Material goods have been created by God to meet the needs of all men, and must be at the disposal of all of them, as justice and charity require.

"Every man indeed, as a reason-gifted being, has, from nature, the fundamental right to make use of the material goods of the earth, though it is reserved to human will and the juridical forms of the peoples to regulate, with more detail, the practical realization of that right.

"Such an individual right cannot, by any means, be suppressed, even by the exercise of other unquestionable and recognized rights over natural goods.

"The economic wealth of a nation does not properly consist in the abundance of goods judged by a sheer material computation of their worth, but it consists in what such an abundance does really and effectively mean and provide as a sufficient material basis for a fair personal development of its members.

"If such a just distribution of goods were not to be effected or just imperfectly ensured, the true end of the national econ-

omy would not be achieved, opulent though the abundance of available goods might be, since the people would not be rich, but poor, as it would not be invited to share in that abundance.

"Obtain, on the contrary, that this just distribution be efficiently realized on a durable basis, and you will see a people, though with less considerable goods at its disposal, become economically sound. "

The Pope said that it is up to the peoples themselves, through their laws and regulations, to choose the methods capable of allowing each man to exercise his right to a share in the earthly goods. The Social Credit dividend to all would achieve this. No other proposed system has been, by far, so effective, not even our present social security laws.

Why a dividend to all

— A social dividend to all? But a dividend presupposes a productive-invested capital!

Precisely! It is because all members of society are co-capitalists of a real and immensely productive capital.

We said above, and we could never repeat it enough, that financial credit is, at birth, the property of all of society. It is so because it is based on real credit, on the country's production capacity. This production capacity is made up partially of work, and the competence of those who also take part in production. But it is mainly made up of other elements which are the property of all.

There are, first of all, natural resources, which are not the production of any man; they are a gift from God, a free gift that must be at the service of all. There are also all the inventions made, developed, and transmitted from one generation to the next. It is the biggest production factor today. No man can claim to be the only owner of progress, which is the fruit of many generations.

No doubt that one needs men of our present times to make use of this progress — and they are entitled to a reward: they get it in remuneration: wages, salaries, etc. But a capitalist who does not personally take part in the industry where he invested his capital is entitled to a share of the result just the same, because of his capital.

The largest real capital of modern production is, in fact, the sum total of the progressive inventions, i.e. discoveries, which today give us more goods with less work. And since all human beings are, on an equal basis, coheirs of this immense capital that is always increasing, all are entitled to a share in the fruits of production.

The employee is entitled to this dividend and to his wage or salary. The unemployed person has no wage or salary, but is entitled to this dividend, which we call social, because it is the income from a social capital.

We have just shown that the Social Credit dividend is based on two things: the inheritance of natural resources, and the inventions from past generations. This is exactly what Pope John Paul II wrote in 1981 in his Encyclical letter *Laborem Exercens* on human work (n. 13):

John Paul II

"Through his work man enters into two inheritances: the inheritance of what is given to the whole of humanity in the resources of nature, and the inheritance of what others have already developed on the basis of those resources, primarily by developing technology, that is to say, by producing a whole collection of increasingly perfect instruments for work. In working, man also "enters into the labor of others."

The folly of full employment

To speak of full employment, that is of universal employment, is to make a contradiction with the pursuit of progress in the techniques and processes of production. New and more perfect machines are not introduced to tie man to employment, nor are new sources of energy tapped for this end, but rather they are brought into production for the purpose of liberating man from work.

But, alas, we seem to have lost sight of ends. We are confusing means and ends, we mistake the former for the latter. This is a perversion, which infects our whole economic life and which makes it impossible for men to enjoy the logical rewards of progress to the full.

Industry does not exist to give employment, but to furnish products, goods. If it succeeds in furnishing such goods, then it has accomplished its purpose, met its end. And the more completely it meets this end with the minimum of time and the minimum employment of human hands, the more perfect it is.

Mr. Jones, for example, buys his wife an automatic washing machine. Now the weekly wash will take only a quarter of the day instead of a full day. When Mrs. Jones puts the clothing in the washing machine along with the soap, when she turns on the taps bringing in the proper mixture of hot and cold water, she has nothing more to do except to turn on the machine. The machine washes the clothes, rinses them, and then stops automatically when the clothes are ready to come out.

Is Mrs. Jones going to bemoan the fact that she now has more time to do what she pleases? Or is Mr. Jones going to search for another type of work to replace that from which his wife has been freed? Certainly not. Neither one is that stupid.

But we do find such stupidity running rampant in our social and economic life, for the system makes progress penalize the individual, instead of bringing him relief, in that it persists in tying purchasing power, the distribution of money, to employment and employment alone — employment in production. Money comes only as a recompense for effort and labour in production.

It is true that production distributes money to those who are employed in the work of producing. But this is as a means, and not as an end. The purpose of production is not to supply money, but to furnish goods and services. And if production is able to replace twenty salaried individuals by the introduction of one machine, it has not in any way thwarted its true purpose. And if it could furnish all the production necessary for humans, and not distribute one cent of money, it would still be meeting the end for which it exists: to furnish goods and services.

When purchasing power disappears

In freeing men from labour, industry should certainly receive the same gratitude which Mr. Jones received from his wife when he liberated her from hours of work by purchasing an automatic washing machine for her.

But how can a man say "thank you" when he has been liberated from work by a machine, when he finds to his consternation that he has no money? *(See the cartoon on the previous page, where workers are laid off and replaced by a robot.)* This is precisely where our economic system has become defective, in that it has not adapted its financial mechanism to its productive mechanism.

In the measure that industry or production passes out of human hands, so too should purchasing power, in the form of money, be channeled to consumers through some other means than just recompense for employment. In other words, the financial system should harmonize with production, not only with respect to volume, but also with respect to the manner in which it is distributed. If production is abundant, then money should be abundant. If production is liberated from human labour, then money should be liberated and separated from employment.

Money is an integral part of the financial system, and not a part of the production system, strictly speaking. When the production system finally reaches a point where it can distribute goods without the aid of salaried individuals, then too the financial system should reach the point where purchasing power can be distributed by some other means than salaries.

If such is not the case, it is because, unlike the production system, the financial system has not adapted itself to progress. And it is precisely this difference which has given rise to grave problems, when in fact progress should make all problems of such a nature disappear.

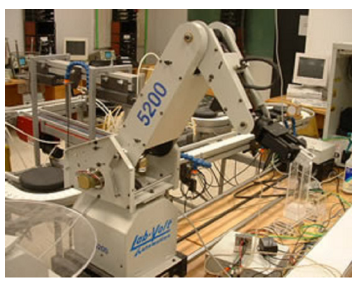
Replacing men by machines in production should lead to the enrichment of men, to their deliverance from purely material worries and cares, permitting them to give themselves over to human pursuits other than those which are related solely to the economic function. If, on the contrary, such a substitution leads to privation, it is because we have refused to adapt the financial system to this progress.

Technology should serve every man

Is technology an evil? Should we rise up and destroy the machines because they take our jobs? No, if the work can be done by the machine, that is just great; it will allow man to give his free time over to other activities, free activities, activities of his own choosing. But this providing he is given an income to replace the salary he lost with the installation of the machine, of the robot; otherwise, the machine, which should be the ally of man, will become his enemy, since it deprives him of his income, and prevents him from living:

"Technology has contributed so much to the well-being of humanity; it has done so much to uplift the human condition, to serve humanity, and to facilitate and perfect its work. And yet at times technology cannot decide the full measure of its own allegiance: whether it is for humanity or against it... For this reason my appeal goes to all concerned... to everyone who can make a contribution toward ensuring that the technology which has done so much to build Toronto and all Canada will truly serve every man, woman and child throughout this land and the whole world." (John Paul II, homily in Toronto, Canada, September 15, 1984.)

In 1850, manufacturing as we know it today was barely started, with man doing 20% of the work, animals 50%, and machines accounting for only 30%. By 1900, man was doing only 15%, animals 30%, and machines 55%. By 1950, man was doing only 6%, and machines the rest — 94%. (The animals have been freed!)



And we have seen nothing yet, since we are only entering the computer age, which allows places like the Nissan Zama plant in Japan to produce 1,300 cars a day with the help of only 67 humans — that is more than 13 cars a day per man. There are even some factories that are entirely automated, without any human employee, like the Fiat motor factory in Italy, which is under the control of some twenty robots who do all the work.

In 1964, a report was presented to the President of the United States, signed by 32 signatories, including Mr. Gunnar Myrdal, Swedish-born economist, and Dr. Linus Pauling, winner of the Nobel Prize, entitled "Social Chaos in Automation". This report said in brief that "the U.S., and eventually the rest of the world, would soon be involved in a 'revolution' which promised unlimited output… by systems of machines which will require little co-operation from human beings. Consequently, action must be taken to ensure incomes for all men, whether or not they engage in what is commonly reckoned as work."

In his book *The End of Work,* U.S. author Jeremy Rifkin quotes a recent Swiss study which said that "in thirty years from now, less than 2% of the present workforce will be enough to produce the totality of the goods that people need." Three out of every four workers — from retail clerks to surgeons — will eventually be replaced by computer-guided machines.

If the rule that limits the distribution of income to those who are employed is not changed, society is heading for chaos. It would be plain ludicrous to tax 2% of workers to support 98% of unemployed people. We definitely need a source of income that is not tied to employment. The case is clearly made for the Social Credit dividend.

Full employment is materialistic

If we must blindly persist in keeping everyone, men and women alike, employed in production, even though the production to meet basic needs is made with less and less human labour already, then new jobs, which are completely useless, must be created. And in order to justify these useless jobs, new artificial needs must be created, through an avalanche of advertisements, so that people will buy products they do not really need. This is what is called "consumerism".

Likewise, products will be manufactured to last as short a time as possible, with the intent of selling more of them and making more money, which brings about an unnecessary waste of natural resources, and also the destruction of the environment. Also, we persist in maintaining jobs that require no creative efforts whatever, jobs that require only mechanical efforts, jobs that could well be done by machines, jobs where the employee has no chance of developing his personality. But, however mind-destroying this job is, it is the condition for the worker to obtain money, the licence to live.

Thus, for all wage-earners, the meaning of their jobs comes down to this: they go to work to get the cash to buy the food to get the strength to go to work to get the cash to buy the food to get the strength to go to work... and so on, until retiring age, if they do not die before. Here is a meaningless life, where nothing differentiates man from an animal.

In his 1936 movie *Modern Times*, Charlie Chaplin gives an example of dehumanizing work, by playing a machine worker who suffers temporary derangement, as he tightens the bolts on a factory tread-mill at a frantic pace.

Free activities

What differentiates man from an animal is precisely that man has not only material needs, but also cultural and spiritual needs. As Jesus said in the Gospel: “Not on bread alone does man live, but in every word that proceeds from the mouth of God” (Deuteronomy 8:3.). So to force man to spend all his time in providing for his material needs is a materialistic philosophy, since it denies that man has also a spiritual dimension and spiritual needs.

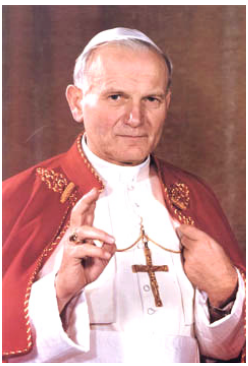
But, then, if man is not employed in a paid job, what will he do with his spare time? He will spend it on free activities, activities of his own choosing. It is precisely in his leisure time that man can really develop his personality, develop the talents that God gave him, and use them wisely.

Moreover, it is during their leisure time that a man and a woman can take care of their religious, social, and family duties: raising their family, practising their Faith (to know, love, and serve God), and help their brothers and sisters in Christ. Raising children is the most important job in the world. Yet because the mother, who stays at home to raise her children, receives no salary, many will say that she does nothing, that she does not work! (Ask any stay-at-home mother if she does not work!)

To be freed from the necessity of working to produce the necessities of life does not presume growing idleness. It simply means that the individual would be placed in the position where he could participate in the type of activity which appeals to him. Under a Social Credit system, there would be an outburst of creative activity. For example, the greatest inventions, and the best works of art, have been made during leisure time. As C. H. Douglas said:

"Most people prefer to be employed, but on things they like rather than on the things they don't like to be employed upon. The proposals of Social Credit are in no sense intended to produce a nation of idlers... Social Credit would allow people to allocate themselves to those jobs to which they are suited. A job you do well is a job you like, and a job you like is a job you do well."

Full employment is outmoded



John Paul II

This is exactly what Pope John Paul II said on November 18, 1983, when he received in audience the participants in a national conference sponsored by the Italian Episcopal Conference's Commission for Social Problems and Work. Here are excerpts from the Pope's address:

"The primary foundation of work is in fact man himself... Work is for man and not man for work... Furthermore, we cannot fail to be concerned about the opinions of those who today hold that discussion of a more intense participation is now outmoded and useless, and demand that human subjectivity be realized in so-called free time. It does not seem just, in fact, to oppose the time dedicated to work to the time that is free of work, in so far as all man's time must be viewed as a marvellous gift of God for overall and integral humanization. I am nevertheless convinced that free time deserves special attention because it is the time when people can and must fulfil their family, religious, and social obligations. Rather, this time, in order to be liberating and useful socially, is spent with mature ethical awareness in a perspective of solidarity, which is also expressed in forms of generous volunteer services." *(Taken from L'Osservatore Romano, weekly edition in English, January 9, 1984, p. 18.)*

Lesson 6
Money and prices
The compensated discount

The distribution of new money by the national dividend is therefore a means of increasing the country's money supply when it is necessary, and of putting this money directly into the consumers' hands. But to be beneficial to the consumer, this distribution of money must constitute a real increase in the consumer's purchasing power.

Now, the purchasing power depends on two factors: the quantity of money in the buyer's hands and the price of the products for sale.

If the price of a product decreases, the consumer's purchasing power increases, even without an increase of money. So if I have $10.00 with which to purchase butter, if the price of butter is $2.50 a pound, I have in my hands the power to buy four pounds of butter; if the price of butter is lowered to $2.00 a pound, my purchasing power goes up, and I can buy five pounds of butter.

Moreover, if the price goes up, it unfavorably affects the consumer's purchasing power; and in this case, even an increase of money can lose its effect. Thus, the worker who earned $200 in 1967 and who earned $400 in 1987, would lose out because the cost of living had more than doubled in those twenty years. In Canada in the year 1987 you could buy the same thing for $772 that would have been $200 in 1967.

The consequent increase in the prices of products is the reason why wage increases do not succeed in producing a durable improvement. The employers do not manufacture money, and if they have to spend more to pay their workers, they are compelled to sell their products at higher prices in order not to go bankrupt.

As for the national dividend, it is not included in prices because it is made up of new money, distributed independently of labor, by the Government.

However, with more money in the hands of the public, retailers could tend to increase the prices of their products, even if these products did not cost them more to produce.

A monetary reform which does not apply the brakes to an unjustifiable rise in prices would be an incomplete reform. It could become a catastrophe of runaway inflation.

The arbitrary setting of prices can also achieve a prejudicial effect by discouraging production. Now the reduction of production is the surest way of pushing up prices. The legislator thus achieves the contrary of what he seeks: he provokes inflation by clumsily fighting it; to escape sanctions, inflation takes place through the black market.

Social Credit puts forward a technique to automatically fight inflation: it is the proposed technique of the "adjusted price", or the compensated discount, which would be part of the way money is issued to put the total purchasing power at the level of total offered production.

The Just Price

Since products are made for the consumer, it is clear that, to meet their purpose, the products must be offered to the consumer at a price which allows the consumer to purchase them.

In other words, at all times, there must be an equilibrium between the collective prices and the collective purchasing power of all consumers.

To establish the retail price, the producers or the retailers calculate what the manufacturing of the product has cost and add the costs of handling, transportation, storing, and the necessary profits to the different intermediaries. But nothing ensures that this marked price corresponds to the consumer's purchasing power.

The marked price must be claimed by the retailer so as not to throw anyone, from the producer to the retailer, into bankruptcy. Moreover, the price to be paid by the buyer must be such that it corresponds to the purchasing power in the consumers' hands. Otherwise, the products remain unsold in the face of real needs.

Hence, it is necessary to have adjustment of prices.

The monetary technique of Social Credit provides this. In the Social Credit vocabulary, what we call the "Just Price" is the price which corresponds exactly to consumption.

When we say "Just Price", we do not mean at all an "honest price" or "fair price". The price marked by the retailer may be completely honest and fair, but still may not at all be the exact price.

So during the Depression the marked prices could have been honest and fair, but they were not exact; they did not correspond to consumption. When the total production of goods demanded exceeds total consumption, these prices are certainly not exact, since consumption over a given period shows conclusively the real expenses incurred for production during this same period.

The honest price is a moral matter; the exact or "just" price is a mathematical matter.

The exact price, the "Just Price" of the Social Credit system, is achieved through an arithmetical rule. So there is no question whatever of an arbitrary fixation of prices, restrictions, rewards, or chastisements — but simply arithmetic.

The Social Credit technique involves two figures that are made up by the country's people themselves, and are not fixed arbitrarily by some men who have a mania for imposing their will on others:

1. The figure expressing the total sum of prices. (This is set by the producers themselves.)

2. The figure expressing the consumers' purchasing power. (This is set by the consumers' wishes for spending the money that they have at their disposal.)

Then, to be able to put the equal sign (=) between these two numbers, Social Credit lowers the first to the level of the second.

Let us explain first, by presenting a few unfamiliar ideas which bear far-reaching consequences.

The real cost of production

The exact price of a thing is the total sum of expenses incurred in its production. And this is true if you count in dollars, ergs, man-hours, or any other unit of measurement.

Such and such work requires four hours of time, ten ounces of sweat, a workman's meal, and the wear of a tool. If the enumeration is complete, the exact price of this work, in other words its real cost, is four hours of time, ten ounces of sweat, a workman's meal, and the wear of a tool — no more, no less.

As we evaluate costs in dollars in Canada and we evaluate work in dollars, it is possible to establish a relation between both in terms of dollars, always including the wear and tear and all the other elements that form expenses.

If the material expenses, work, energy, and wear and tear amount to $100, the exact price; the real cost of the product, is one-hundred dollars.

But there is the accounting price as well, that is the financial cost. During the production of an article in a factory, an account is kept of the raw material bought including processing costs, wages and salaries, capital costs, etc. All these constitute the financial cost of the production of the article.

Are the accounting and the exact price the same? Even if they accidentally are in certain cases, it is easy to prove that as a whole they certainly are not.

Take a small country that supplies, in one year, capital and consumption goods for a total production that is evaluated at 100 million dollars. If, within that time, the total expenses of the country's inhabitants are evaluated at 80 million dollars, we can readily see that the country's production for that year has cost exactly $80 million, since $80 million in all was consumed by the population that made the production. The financial cost of production has been evaluated at $100 million, but it actually cost only $80 million in real expenses. This is an inescapable fact: both totals are there.

The exact price of the production of $100 million has therefore been $80 million.

In other words, while $100 million in wealth was produced, $80 million in wealth was consumed. The consumption of $80 million worth of production is the real price of the $100 million worth of production.

So the real price of production is consumption.

Moreover, as we have said above, if production exists for consumption then consumption must be able to pay for production.

In the preceding example, the country deserves its production. If, by spending $80 million, it produces $100 million worth of goods and services, it must be able to get these $100 million worth of production while spending $80 million. In other words, in paying $80 million, the consumers must get the $100 million worth of production. If not, $20 million worth of production will remain for contemplation, until it turns to destruction, in front of a deprived and exasperated people.

The increase and reduction of wealth

A country becomes richer in goods when it develops its means of production: its machines, factories, means of transportation, etc. These are called capital goods.

A country is richer in products when it produces items for consumption: wheat, meat, furniture, clothing, etc. These are called consumer goods.

A country again becomes richer in products when it gets wealth from abroad. Thus Canada becomes richer in fruits when it gets bananas, oranges, and pineapples; this is called importation.

So then, a country's goods are reduced when there is destruction or wear of the means of production: burnt factories, worn-out machines, etc. This is called depreciation.

A country's goods are also reduced when they are consumed. Eaten food, worn-out clothing, etc., are not available any more. This is destruction through consumption.

A country's goods are reduced again when they leave the country: for example, there will be less apples, butter, bacon, in Canada, if this country sends these products to England. This is called exportation.

Calculation of the Just Price

Now let us suppose that a year's return gives:

Production of capital goods	**3 billion**
Production of consumable goods	**7 billion**
Importations	**2 billion**
Total acquisitions	**12 billion (assets)**

Moreover:

Depreciation of capital goods	**1.8 billion**
Consumption	**5.2 billion**
Exportations	**2.0 billion**
Total reduction	**9.0 billion (liabilities)**

We conclude that: while the country became richer with $12 billion worth of production, it used, consumed, or exported, $9 billion worth of production.

The real cost of the production of $12 billion is $9 billion. If it actually cost the country $9 billion to produce $12 billion worth of goods and services, the country must be able to enjoy its $12 billion worth of production while spending only $9 billion.

With $9 billion, we must be able to pay for $12 billion. To pay 12 with 9. This requires a price adjustment: to lower the accounting price, which is 12, to the level of the real price, 9, and to do it without doing violence or harming anyone.

When faced with this adjustment, the following conclusion is logical in an economy where production exists for consumption:

Since the consumption of $9 billion worth of production, with the wear of machines included, has allowed a production worth $12 billion with improvements included, $9 billion is the real price of production. In order for the country to be able to use this production, for as long as it wants, it must be able to get it at its real price, $9 billion, which does not prevent the retailers from being compelled to claim $12 billion.

On the one hand, the country's consumers must be able to buy 12 with 9. They must be able to draw on their country's production by paying for it at 9/12 of the marked price.

On the other hand, the retailer must recover the full amount: 12; otherwise, he cannot meet his costs and obtain his profit, which is the salary for his services.

The compensated discount

The buyer will pay only 9/12 of the marked price if he is granted a discount of 3 on 12, or 25 percent.

A table costs $120.00; it will be sold to the buyer for $90.00. A pair of stockings costs $4.00; it will be sold to the buyer for $3.00.

Likewise, the same type of ratio is applied to the sale of all the country's articles, because it is a national discount decreed by the National Credit Office to reach the goal for which it was instituted.

If all of the country's consumer goods are thus paid for at 75 percent of their marked price, the country's consumers will be able to get all of their production worth $12 billion with the $9 billion that they spend for their consumption.

If they do not like some products for sale on the market, they will not buy them and the producers will simply stop making these products, because they are not real wealth since they do not answer the needs of the consumers.

The retailers thus get from the buyers only 75 percent of their prices. They will not be able to subsist, unless they get the 25 percent that the buyer does not pay for from another source.

This other source can only be the National Credit Office, which is charged with putting money in relation to facts. On the presentation of appropriated vouchers, attesting to the sale and the national discount allowed; the retailer will get the credit-money representing the missing 25 percent from the National Credit Office.

The goal will be reached. The whole of the country's consumers will have been able to get their country's total production answering their needs. The retailers, and through them the producers, will have obtained the amounts which cover the costs of production and distribution.

There will be no inflation, since there is no lack of products to supply the demand. This new money is actually created only when there is a wanted and purchased product.

Besides, this issue does not enter into the price of the invoice, since it is neither wage, salary, nor investment: it comes after the product is manufactured, priced, and sold.

Another way of arriving at the same result would be to make the buyer pay the full price. The retailer would give a receipt to the buyer, attesting to the purchase amount. On presentation of this receipt at the branch of the National Credit Office, the buyer would get credit-money equal to the 25 percent of the purchase amount.

The first method is a compensated discount, a discount granted by the retailer and paid to him by the National Credit Office.

The second method is a rebate made to the buyer. The result is exactly the same.

In any case, the price paid by the consumer must be the fraction of the marked price expressed by the ratio of total consumption to total production. Otherwise, the production is only partially accessible to the consumers for whom it was made.

A dividend and a lowering of prices

There are two ways to have price-figures and money-figures correspond: prices can be lowered, or wallets fattened. Social Credit would do both, without harming anyone, and by suiting everybody. The two mechanisms put together — the lowering of prices and the dividend — would be calculated to balance the price-figures and money-figures.

Both are needed. If there is only a dividend the prices could tend to rise, even if the actual cost price of goods remains the same. And if there is only a lowering of prices, without a dividend, it would be of no use for people with no income.

The dividend formula would be infinitely better than the present social programs like welfare, unemployment insurance, etc., since the dividend would not be financed by the taxes of those who are employed, but by new money created by the National Credit Office. No one would then live at the expense of the taxpayers; the dividend would be a heritage that is due to all Canadian citizens, who are all stockholders in "Canada Limited".

Contrary to welfare this dividend would be given unconditionally, and would therefore not penalize those who want to work. Far from being an incitement to idleness, it would allow people to allocate themselves to those jobs to which they are best suited. Besides, if people stopped working, production would go down, and so would the dividend; since it is based on existing production. Without this income that is tied to employment, progress is no longer an ally of man but a curse, since by eliminating the need for human labor it makes people lose their sole source of income.

Thanks to this mechanism of a discount on prices any inflation would be impossible, since the discount actually lowers prices. Inflation means rising prices, and the best way to prevent prices from rising is to lower them! A discount on prices is exactly the opposite of a sales tax: instead of paying more for goods because of taxes, the consumers would pay less because of the discount. Who would complain about it?

Financing public works

How would public works and services be financed in a social money system such as this one? The Government does not ask: "Do we have the money to build this project?" whenever the population wants a new public project but, "Do we have the materials and the workers to make it happen?" If that is so, the National Credit Office would automatically create the new money to finance the new production.

Let us suppose the population wants a new bridge and the construction will cost $50 million. The National Credit Office therefore creates $50 million to finance the construction of this bridge, and since all new money must be withdrawn from circulation as the new production is consumed, the money created to build the bridge must be withdrawn from circulation as this bridge is consumed.

How can a bridge be "consumed"? A bridge can of course be consumed through use and depreciation. Let us suppose the engineers who built this bridge expect it to last 50 years, so then this bridge will lose one-fiftieth of its value every year; since it costs $50 million to build, it will depreciate by $1 million every year. It is therefore $1 million that will have to be withdrawn from circulation every year, for 50 years.

Will this withdrawal of money be done through taxation? "No, this is not necessary at all", said Clifford Hugh Douglas, "the Scottish engineer who conceived the Social Credit system; there is another way, and it is much simpler, to withdraw money from circulation: the method of the adjusted price (also called the compensated discount)." Douglas spoke of this in London, on January 19, 1938:

"The immense, complex, irritating and time-wasting taxation system, which keeps hundreds of people busy working, is a complete waste of time. The whole of the results that are supposed to be achieved by the system of taxation could be achieved without any bookkeeping at all; they could be achieved entirely through the price system."

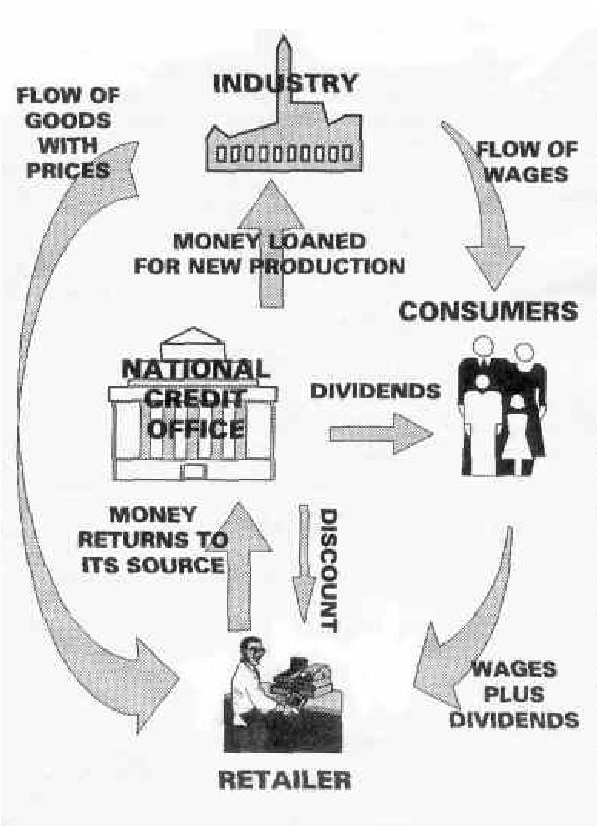
How would this adjusted price work? The National Credit Office would be charged with keeping an accurate bookkeeping of the nation's assets and liabilities, which requires only two columns: one to write down all that has been produced in the country during the given period (assets) and one for all that has been consumed (liabilities). The bridge's $1 million annual depreciation mentioned above would be written down in the "consumption" column, and added to all the other kinds of consumption or disappearance of wealth in the country during the given period.

As we said before, Douglas also points out that the real cost of production is consumption. In the example of the bridge, the cost price is $50 million. But the real cost of the bridge is all that had to be consumed in order to build it. Whereas, on the one hand, it is impossible to know the real cost of every article produced, one can easily know, on the other hand, what the real cost of the total production of the country was during a year: it is all that has been consumed in that country throughout the given year.

Three principles

There are three fundamentals in Social Credit: 1. Money must be issued without debt by the Government — the representative of society — according to production, and withdrawn from circulation according to consumption; 2. A monthly dividend to every citizen; 3. the compensated discount. All three are necessary; if you remove one of them, the system cannot work properly.

The circulation of money in a Social Credit system



Money is loaned to the producers (industry) by the National Credit Office, for the production of new goods, which brings a flow of new goods with prices (left arrow).

Since wages are not sufficient to buy all of available goods and services for sale, the National Credit Office fills the gap between the flow of purchasing power and the flow of total prices by issuing a monthly dividend to every citizen. Consumers and goods meet at the market place (retailer), and when a product is purchased (consumed), the money that had originally been loaned for producing this product returns to its source, the National Credit Office.

At any moment, there is always equality between the total purchasing power available in the hands of the population, and the total prices of consumable goods for sale on the market.

This technique of Social Credit, that we have explained briefly, has the goal of financing the production of goods that answer the needs, and to finance the distribution of these goods for them to reach these needs. If you look at the diagram on the previous page (the circulation of money), you will notice that money never piles up anywhere; it only follows the flow of goods, being issued as goods are produced and then returning to its source (the National Credit Office) as goods are consumed (sold). At any given moment, money is an exact reflection of physical realities: money appears when a new product appears, and disappears when the product disappears (is consumed).

* * *

All this opens up undreamed-of horizons and possibilities. For these possibilities to become reality, everyone must know and study the Social Credit system. And for that, all must be subscribed to the "Michael" Journal. Dear friend, here comes the part you have to play in all of this: you have understood Social Credit, so it is your duty and responsibility to make it known to others, by soliciting subscriptions around you to the "Michael" Journal. Good luck!

Lesson 7

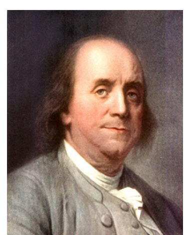
The history of the banking control in the United States

The dictatorship of the bankers and their debt-money system are not limited to one country, but exist in every country in the world. They are working to keep their control tight, since one country freeing itself from this dictatorship and issuing its own interest- and debt-free currency, setting the example of what an honest system could be, would be enough to bring about the worldwide collapse of the bankers' swindling debt-money system.

This fight of the International Financiers to install their fraudulent debt-money system has been particularly vicious in the United States of America since its very foundation, and historical facts show that several American statesmen were well aware of the dishonest money system the Financiers wanted to impose upon America and of all of its harmful effects. These statesmen were real patriots, who did all that they possibly could to maintain for the USA an honest money system, free from the control of the Financiers. The Financiers did everything in their power to keep in the dark this facet of the history of the United States, for fear that the example of these patriots might still be followed today. Here are some facts that the Financiers would like the population not to know:

The happiest population

We are in 1750. The United States of America does not yet exist; it is the 13 Colonies of the American continent, forming "New England", a possession of the motherland, England. Benjamin Franklin wrote about the population of that time: **"Impossible to find a happier and more prosperous population on all the surface of the globe."** Going over to England to represent the interests of the Colonies, Franklin was asked how he accounted for the prosperous conditions prevailing in the Colonies, while poverty was rife in the motherland:



Benjamin Franklin

"That is simple," Franklin replied. **"In the Colonies we issue our own money. It is called Colonial Scrip. We issue it in proper proportion to make the products pass easily from the producers to the consumers. In this manner, creating ourselves our own paper money, we control its purchasing power, and we have no interest to pay to no one."**

The English bankers, being informed of that, had a law passed by the British Parliament prohibiting the Colonies from issuing their own money, and ordering them to use only the gold or silver debt-money that was provided in insufficient quantity by the English bankers. The circulating medium of exchange was thus reduced by half.

"In one year," Franklin stated, **"the conditions were so reversed that the era of prosperity ended, and a depression set in, to such an extent that the streets of the Colonies were filled with unemployed."**

Then the Revolutionary War was launched against England, and was followed by the Declaration of Independence in 1776. History textbooks erroneously teach that it was the tax on tea that triggered the American Revolution. But Franklin clearly stated:

"The Colonies would gladly have borne the little tax on tea and other matters, had it not been the poverty caused by the bad influence of the English bankers on the Parliament: which has caused in the Colonies hatred of England, and the Revolutionary War."

The Founding Fathers of the United States, bearing all these facts in mind, and to protect themselves against the exploitation of the International Bankers, took good care to expressly declare, in the American Constitution, signed at Philadelphia in 1787, Article 1, Section 8, paragraph 5:

"Congress shall have the power to coin money and to regulate the value thereof."

The bank of the bankers

But the bankers did not give up. Their agent, Alexander Hamilton, was named Secretary of Treasury in George Washington's cabinet, and advocated the establishment of a federal

Alexander Hamilton

bank to be owned by private interests, and the creation of debt-money with false arguments like: **"A national debt, if it is not excessive, will be to us a national blessing... The wisdom of the Government will be shown in never trusting itself with the use of so seducing and dangerous an expedient as issuing its own money."** Hamilton also made them believe that only the debt-money issued by private banks would be accepted in dealing abroad.

Thomas Jefferson, the Secretary of State, was strongly opposed to that project, but President Washington was finally won over by Hamilton's arguments. A federal bank was thus created in 1791, the "Bank of the United States", with a 20 years' charter. Although it was termed "Bank of the United States", it was actually the "bank of the bankers", since it was not owned by the nation, but by individuals holding the bank's stocks, the private bankers. This name of "Bank of the United States" was purposely chosen to deceive the American population and to make them believe that they were the owners of the bank, which was not the case. The charter for the Bank of the United States ran out in 1811, and Congress voted against its renewal, thanks to the influence of Thomas Jefferson and Andrew Jackson:

Andrew Jackson

"If Congress," Jackson said, **"has a right under the Constitution to issue paper money, it was given them to use by themselves, not to be delegated to individuals or corporations."**

Thus ended the history of the first Bank of the United States. But the bankers did not play their last card.

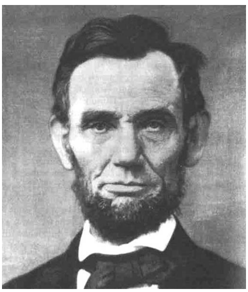
The bankers launch the war

Nathan Rothschild, of the Bank of England, issued an ultimatum: **"Either the application for the renewal of the charter is granted, or the United States will find itself involved in a most disastrous war."** Jackson and the American patriots did not believe the power of the international moneylenders could extend so far. **"You are a den of thieves-vipers,"** Jackson told them. **"I**

intend to rout you out, and by the Eternal God, I will rout you out!" Nathan Rothschild issued orders: **"Teach these impudent Americans a lesson. Bring them back to Colonial status."**

The British Government launched the War of 1812 against the United States. Rothschild's plan was to impoverish the United States through this war to such an extent that the legislators would have to seek financial aid... which, of course, would be forthcoming only in return for the renewal of the charter for the Bank of the United States. Thousands were killed, but what does that matter to Rothschild? He had achieved his objective; the U.S. Congress granted the renewal of the Charter in 1816.

Abraham Lincoln is assassinated



Abraham Lincoln

Abraham Lincoln was elected President of the United States in 1860, under the promise of abolishing the slavery of the blacks. Eleven southern States, favourable to the human slavery of the black race, then decided to secede from the Union, to withdraw from the United States of America: that was the beginning of the Civil War (1861-1865). Lincoln, being short of money to finance the North's war effort, went to the bankers of New York, who agreed to lend him money at interest rates varying from 24 to 36 percent. Lincoln refused, knowing perfectly well that this was usury and that it would lead the United States to ruin. But his money problem was still not settled!

His friend in Chicago, Colonel Dick Taylor, came to his rescue and put the solution to him: **"Just get Congress to pass a bill authorizing the printing of full legal tender treasury notes, and pay your soldiers with them, and go ahead and win your war with them also."**

This is what Lincoln did, and he won the war: between 1862 and 1863, in full conformity with the provisions of the U.S. Constitution, Lincoln caused $450 million of debt-free Greenbacks to be issued, to conduct the Civil War. *(These Treasury notes were called "Greenbacks" by the people because they were printed with green ink on the back.)*

Lincoln said: **"Government, possessing the power to create and issue currency and credit as money, and enjoying the right to withdraw both currency and credit from circulation by taxation and otherwise, need not and should not borrow capital at interest as the means of financing governmental work and public enterprise... The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Government's greatest creative opportunity."**

Lincoln called the Greenbacks **"the greatest blessing the American people have ever had."** A blessing for all, except for the bankers, since it was putting an end to their racket, to the theft of the nation's credit and issuing interest-bearing money. So they did everything possible to destroy these Greenbacks and sabotage Lincoln's work. Lord Goschen, spokesman of the Financiers, wrote in the *London Times* (Quote taken from *Who Rules America* by C. K. Howe, and reproduced in *Lincoln Money Martyred* by Dr. R. E. Search):

"If this mischievous financial policy, which has its origin in North America, shall become indurated down to a fixture, then that Government will furnish its own money without cost. It will pay off debts and be without a debt. It will have all the money necessary to carry on its commerce. It will become prosperous without precedent in the history of the world. That Government must be destroyed, or it will destroy every monarchy on the globe." *(The monarchy of the money lenders.)*

First, in order to cast discredit on the Greenbacks, the bankers persuaded Congress to vote, in February of 1862, the "Exception Clause", which said that the Greenbacks could not be used to pay the interest on the national debt, nor to pay taxes, excises, or import duties. Then, in 1863, having financed the election of enough Senators and Representatives, the bankers got the Congress to revoke the Greenback Law in 1863, and enact in its place the National Banking Act. (Money was then to be issued interest-bearing by privately-owned banks.)

This Act also provided that the Greenbacks should be retired from circulation as soon as they came back to the Treasury in payment of taxes. Lincoln heatedly protested, but his most urgent objective was to win the war and save the Union, which obliged him to put off till after the war the veto he was planning against this Act and the action he was to take against the bankers. Lincoln nevertheless declared:

"I have two great enemies, the Southern army in front of me and the bankers in the rear. And of the two, the bankers are my greatest foe."

Lincoln was re-elected President in 1864, and he made it quite clear that he would attack the power of the bankers, once the war was over. The war ended on April 9, 1865, but Lincoln was assassinated five days later, on April 14. A tremendous restriction of credit followed, organized by the banks: the currency in circulation in the country, which was, in 1866, $1,907 million, representing $50.46 for each American citizen, had been reduced to $605 million in 1876, representing $14.60 per capita. The result: in ten years, 56,446 business failures, representing a loss of $2 billion. And as if this was not enough, the bankers reduced the per capita currency in circulation to $6.67 in 1887!

William Jennings Bryan: "The banks ought to get out"

William Jennings Bryan

Lincoln's example nevertheless remained in several minds, as far along as 1896. That year, the Presidential candidate for the Democrats was William Jennings Bryan, and once again, history textbooks tell us that it was a good thing that he did not succeed in his bid for the Presidency, since he was against the bankers' "sound money", the money issued as a debt, and against the gold standard. Bryan said:

"We say in our platform that we believe that the right to coin and issue money is a function of Government. We believe it. Those who are opposed to it tell us that the issue of paper money is a function of the bank, and that the Government ought to get out of the banking business. I tell them that the issue of money is a function of Government, and that the banks ought to get out of the Government business... When we have restored the money of the Constitution, all other necessary reforms will be possible, but until this is done, there is no other reform that can be accomplished."

The Fed: The most gigantic trust

C.A. Lindbergh

Finally, on December 23, 1913, the U.S. Congress voted in the Federal Reserve Act, which took away from Congress the power to create money, and which handed over this power to the Federal Reserve Corporation. One of the rare Congressmen who had understood all the issue at stake in this Act, Representative Charles A. Lindbergh Sr. (Rep-Minnesota), father of the famous aviator, said:

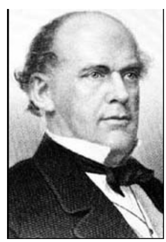
"This Act establishes the most gigantic trust on earth. When the President (Wilson) signs this bill, the invisible government of the Monetary Power will be legalized... The worst legislative crime of the ages is perpetrated by this banking and currency bill."

The education of the people

What allowed the bankers to finally obtain the complete monopoly of the control of credit in the United States? The ignorance among the population of the money question. John Adams wrote to Thomas Jefferson, in 1787:

"All the perplexities, confusion and distress in America arise, not from defects in the Constitution, not from want of honor or virtue, so much as downright ignorance of the nature of coin, credit, and circulation."

Lincoln's Secretary of Treasury, Salmon P. Chase, stated publicly, shortly after the passage of the National Banking Act, in 1863:



Salmon. P. Chase

"My agency in promoting the passage of the National Banking Act was the greatest financial mistake of my life. It has built up a monopoly which affects every interest in the country. It should be repealed, but before that can be accomplished, the people will be arrayed on one side, and the banks on the other, in a contest such as we have never seen before in this country."

Automobile manufacturer Henry Ford said:

"If the people of the nation understood our banking and monetary system, I believe there would be a revolution before tomorrow morning."

The education of the people, that's the solution! It is precisely the method advocated by the "Michael" Journal: to build a force in the people through education, so that the sovereign government of each nation will have the courage to stand up to the bankers and issue its own money, as President Lincoln did. If only all those in favour of an honest money system understood their responsibilities for spreading the "Michael" Journal! Social Credit, which would establish an economy where everything is organized to serve the human person, is precisely aiming to develop personal responsibility, to create responsible people. Each mind won over to Social Credit is an advance. Each person formed by Social Credit is a force, and each force acquired is a step towards the victory. And for the last seventy years, how many forces have been acquired!... If all of them were active, it is really before tomorrow morning that we would obtain the implementation of the Social Credit proposals!

As Louis Even wrote in 1960: **"The obstacle is neither the financier, nor the politician, nor any avowed enemy. The obstacle lies in the passivity of too many Social Crediters who hope for the coming of the triumph of the Cause, but who leave it up to others to promote it."**

In short, it is our refusal to take on our responsibilities that delays the implementation of Social Credit, of an honest money system. "Much will be asked of the man to whom much has been given" (Luke 12:48). Examine your consciences, dear Social Crediters; personal conversion, one more step, let us take on our responsibilities: the victory has never been so close! Our responsibility is to make Social Credit known to others, by having them subscribe to the "Michael" Journal, the only publication that makes this brilliant solution known.

Social Credit bill passed by the US Congress in 1932

It is the education of the people that is necessary. Once the pressure from the public is strong enough, all the parties will agree with it. A fine example of this can be found in the Goldsborough bill of 1932, which was described by an author as a

"Social Credit bill" and "the closest near-miss monetary reform for the establishment of a real sound money system in the United States":

"An overwhelming majority of the U.S. Congress (289 to 60) favored it as early as 1932, and in one form or another it has persisted since. Only the futile hope that a confident new President (Roosevelt) could restore prosperity without abandoning the credit-money system America had inherited kept Social Credit from becoming the law of the land. By 1936, when the New Deal (Roosevelt's solution) had proved incapable of dealing effectively with the Depression, the proponents of Social Credit were back again in strength. The last significant effort to gain its adoption came in 1938." (W.E. Turner, *Stable Money*, p. 167.)

Even the dividend and the compensated discount, two essential parts of Social Credit, were mentioned in this bill, which was the "Goldsborough bill", after the Democratic Representative of Maryland, T. Allan Goldsborough, who presented it in the House for the first time on May 2, 1932.

Two persons who supported the bill especially hold our attention: Robert L. Owen, Senator of Oklahoma from 1907 to 1925 (a national bank director for 46 years), and Charles G. Binderup, Representative of Nebraska. Owen published an article, in March of 1936, in J. J. Harpell's publication, "The Instructor", of which Louis Even was the assistant editor. As for Binderup, he gave several speeches on radio in the USA during the Depression, explaining the damaging effects of the control of credit by private interests.

Robert L. Owen

Robert Owen testified in the House, April 28, 1936: **"...the bill which he (Goldsborough) then presented, with the approval of the Committee on Banking and Currency of the House — and I believe it was practically a unanimous report. It was debated for two days in the House, a very simple bill, declaring it to be the policy of the United States to restore and maintain the value of money, and directing the Secretary of the Treasury, the officers of the Federal Reserve Board, and the Reserve banks to make effective that policy. That was all, but enough, and it**

passed, not by a partisan vote. There were 117 Republicans who voted for that bill (which was presented by a Democrat) and it passed by 289 to 60, and of the 60 who voted against it, only 12, by the will of the people, remain in the Congress.

"It was defeated by the Senate, because it was not really understood. There had not been sufficient discussion of it in public. There was not an organized public opinion in support of it."

Once again, education is the main issue: Republicans and Democrats alike supported it, so there was no need for a third party or any sort of "Social Credit" party. Moreover, Owen admitted that the only thing that was lacking was the education of the population, a force among the people. That confirms the method used by the "Michael" Journal, advocated by Clifford Hugh Douglas and Louis Even.

The Goldsborough bill was titled: **"A bill to restore to Congress its Constitutional power to issue money and regulate the value thereof, to provide monetary income to the people of the United States at a fixed and equitable purchasing power of the dollar, ample at all times to enable the people to buy wanted goods and services at full capacity of the industries and commercial facilities of the United States... The present system of issuing money through private initiative for profit, resulting in recurrent disastrous inflations and deflations, shall cease."**

The bill also made provision for a discount on prices to be compensated to the retailer, and for a national dividend to be issued, beginning at $5 a month (in 1932) to every citizen of the nation. Several groups testified in support of the bill, stressing the bill provided the means of controlling inflation.

Ignorance among the population

The most ardent opponent in the Senate was Carter Glass, a fierce partisan of the Federal Reserve (private control of money) and a former Secretary of the Treasury. Besides, Henry Morgenthau, then Roosevelt's Secretary of Treasury, who was strongly opposed to any monetary reform, said that Roosevelt's New Deal should be given a trial first.

What mostly helped the opponents to the bill was the near ignorance of the money question among the population... and even in the Senate.

Some Senators, knowing nothing about the creation of money (credit) by banks, exclaimed: “The Government cannot create money like that! That will cause runaway inflation!” And others, while admitting the necessity for debt-free money, questioned the necessity for a dividend, or the compensated discount. But all these objections actually disappear after a serious study of Social Credit.

Quotes on money

“Let me issue and control a nation’s money and I care not who writes its laws.” — Mayer Amschel Rothschild (1744-1812), founding father of international finance.

“History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance.” — US President James Madison.

“The money power denounces, as public enemies, all who question its methods or throw light upon its crimes.” — William Jennings Bryan.

“Whoever controls the volume of money in any country is absolute master of all industry and commerce.” — US President James A. Garfield.

“Banking was conceived in iniquity and born in sin. Bankers own the earth. Take it away from them, but leave them the power to create money and control credit, and with the flick of a pen, they will create enough money to buy it back again. Take this great power away from the bankers and all the great fortunes like mine will disappear, and they ought to disappear, for this would be a better and happier world to live in. But if you want to continue the slaves of bankers and pay the cost of your own slavery, let them continue to create money and to control credit.” — Sir Josiah Stamp, Director, Bank of England, 1940.

“The process by which banks create money is so simple that the mind is repelled.” — John K. Galbraith, in “Money: Whence it came, where it went”, p. 29.

“The banks do create money. They have been doing it for a long time, but they didn’t quite realise it, and they did not admit it. Very few did. You will find it in all sorts of documents,

financial textbooks, etc. But in the intervening years, and we must all be perfectly frank about these things, there has been a development of thought, until today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit." — H. W. White, Chairman of the Associated Banks of New Zealand, to the New Zealand Monetary Commission, 1955.

Thomas Edison and Henry Ford

Let us bring an end to this lesson with the quotations of two great American citizens.

Thomas Edison: "**Throughout our history some of America's greatest men have sought to break the Hamiltonian imprint (Alexander Hamilton's debt-money policy) on our monetary policy in order to substitute a stable money supply measured to the nation's physical requirements. Lack of public and official understanding, combined with the power of banking interests who have imagined a vested interest in the present chaotic system, have so far thwarted every effort.**

"Don't allow them to confuse you with the cry of `paper money.' The danger of paper money is precisely the danger of gold — if you get too much it is no good. There is just one rule for money and that is to have enough to carry on all the legitimate trade that is waiting to move. Too little and too much are both bad. But enough to move trade, enough to prevent stagnation, on the one hand, not enough to permit speculation, on the other hand, is the proper ratio...

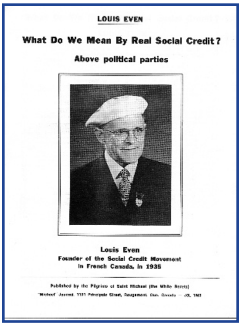
"If the United States will adopt this policy of increasing its national wealth without contributing to the interest collector — for the whole national debt is made up of interest charges — then you will see an era of progress and prosperity in this country such as could never have come otherwise."

And a call from Henry Ford: **"The youth who can resolve the money question will do more for the world than all the professional soldiers of history."**

Young people, have you understood? Join the ranks of the apostles of the "Michael" Journal, for the sake of your country and fellow citizens. The Pilgrims of Saint Michael need you; they are waiting for you!

Lesson 8
Social Credit is not a political party but a sound and effectuve financial system

To rely on a party is a delusion



(The following text is taken from Louis Even" brochure "What Do We Mean By Real Social Credit? — Above political parties)

The implementation of Social Credit would institute true democracy: economic democracy by making each consumer capable of obtaining the basic necessities of life from the country's production; political democracy insofar as the people can make known to their elected representatives and to their governments what they expect of them and to demand results. (*Demos*, people; *kratein*, to reign. — Democracy: the people's sovereignty.)

Any Social Crediter who is even slightly informed knows very well that today supreme power is not exercised by the people or their governments, but by a financial clique. Statesmen like Gladstone, Wilson, and others said this explicitly. Mackenzie King said in 1935 that the greatest battle of all times was "between the financial powers and the people." A battle in which he did not engage, no doubt because he considered the financial powers too strong and the people too weak.

The people are weak indeed; and it is understandable that they are weak when first, they know nothing about public matters and what goes on behind the scenes; and second, when instead of teaching them about these things those who are ruling the country divide them into political factions that are fighting against each other. It is not more factions that will create unity, they will instead create division. It is division and many factions that serve merely to increase weakness in the country.

It is a man of genius named C. H. Douglas who discovered the great truth of Social Credit; it is he who founded the Social Credit school. He most certainly knew better what Social Credit meant as far as democracy is concerned than those little fellows of our homeland who would like to make Social Credit into the instrument of their race to power, or at least a platform for their ambitions in search for a seat in Parliament.

Clifford Hugh Douglas

Douglas said in a lecture given in Newcastle-upon-Tyne on March 19, 1937, that there are in England two major obstacles to true democracy and the first of these obstacles is the system of parties.

The same goes for Canada and the solution to the problem does not consist in feeding the system of parties, but in weakening it. That is to say to neutralize or disband the parties in existence and not creating another division within the people, but by uniting the citizens, all the citizens of the country, without party distinctions to allow them express their common will to their Members of Parliament, whoever these Members of Parliament are, and whatever their political colours. To put the focus on what happens between elections, when the fate of the citizens is at stake, more than during elections when it is the politicians who are battling each other.

We need to unite the citizens. And we can begin by making them understand that they all want the same fundamental things, then we can convince them that by thus putting pressure together to get what they all want, they would inevitably obtain their goal.

It is Major Douglas who on another occasion in Liverpool, October 30, 1936, said, **"The people's sovereignty, i.e., their effective ability to give orders, would increase with their unanimity, and if people all wanted a uniform result there could be no possibility of parties, and there could be no resistance to their demand."**

That is a very good line of conduct, perfectly in keeping with common sense.

You will never be able to get everybody in agreement around a ballot box. But you could very well get them in agreement on the results to be demanded from politics, if you make it a point to set these results in the order of their universality and urgency: economic security, a sufficient amount of goods today and guaranteed for tomorrow, the freedom for each one to choose his occupation and lifestyle. Everybody wants these things; and, as Douglas points out, even those who do not want them for others, would want them for themselves.

Why then bring attention towards the ballot box, towards the thing that divides instead of applying oneself to effectively uniting all people around the issues over which everybody can be in agreement?

Never was an important reform obtained by the formation of a new political party. Most of the time if a party is established with the goal of major reform, it dies because of electoral failure; and if by chance it comes to power, it comes up against so many obstacles that it becomes paralyzed and has no further objective than to stay in power without doing any more than the traditional parties. To overcome obstacles, it lacked strength: which is that of a people sufficiently informed in the political field.

Besides, a reform cannot come out of an election. A reform results from a natural and democratic process, from the maturation of a well-cultivated idea; it results from its acceptance and demand by a sufficient number of people to create a general will which can be expressed without falling victim to the hazards of electoral results.

Social Credit will enter into the country's legislation when it will have become the object of a general will or demand, which will encourage all political parties to welcome it into their programs. To confine it into a political party is to link its fate to the same electoral fate of that party. And it can mean moving backward instead of forward.

A new idea is spread through propaganda and it takes roots through study. The newer the idea and the greater its repercussions, the more its propagation and implantation call for effort, time, and perseverance. The cause that propagates this idea has much more need of apostles than members of parliament.

The instigators of new parties no doubt consider that the people's political education would take too much time, if they ever even thought about it. A quick vote seems to be a more usual method and a faster one to them. The result of this is tombstones, which are not even visited by those who supported these defunct parties. A fair number of these gentlemen have since contentedly settled down under the wings of traditional parties that they had previously eloquently denounced.

The people's strength must be built up so that their pressure on governments exceeds the strength of the financial powers. It is not in a parliament that people can build up their strength. It is where the people are — which is outside of parliaments. And that is the place of a true Social Credit Movement.

Douglas and electioneering

The Social Credit Secretariat, an organization founded by Major Douglas himself has republished an address given by the founder of

Social Credit on March 7, 1936. That day, Douglas was not speaking to the general public, but to Social Crediters.

In that address, Douglas recommends a policy of pressure and strongly condemns the formation of political parties, especially that of a "Social Credit" party. He condemns this kind of effort, not only because it is doomed to failure before it starts, but also because it imprisons and obscures the beautiful philosophy that Social Credit is, in putting it into politics and the ballot box. Douglas goes so far as to say:

"If you elect a Social Credit party, supposing you could, I may say that I regard the election of a Social Credit party in this country as one of the greatest catastrophes that could happen."

The proper function of a Member of Parliament, explained Douglas, is to receive and pass on to the government the expression of the legitimate will of its constituents. The proper function of a government is to receive this demand and order the experts to follow it up (the experts meaning the financiers for financial matters, etc). One must not tell these experts how to go about it, but point out the result to be achieved and demand this result.

And the role of the people is to become aware of objectives that they commonly want and to express this will to their representatives. It is where it must begin, from where it must be launched, with the voters. Therefore, instead of giving the importance to the elected representative, we must give it to the voters.

In Douglas's words: **"If you agree that the object of sending a set of men to Parliament is to get what you want, then why elect a special set of men, or a special party at all? The men who are there should get you what you want — that is their business. It is not their business to say how the goal is to be reached. How things are done is the responsibility of the expert."**

The experts must be told what the citizens want and this demand must come from the citizens themselves.

Electioneering has perverted democracy. The only thing political parties can achieve is to divide people, weaken their strength and lead them to disappointments, so to add a new party can only add another disappointment under another name. A disappointment all the more disastrous if the adventure drags with it the name of an excellent cause like that of Social Credit.

Louis Even

(Note: The following text is the introduction to Louis Even's book In this Age of Plenty.)

For those who are completely new to the Social Credit philosophy, two points must immediately be clarified: 1. Social Credit is by no mans a form of Socialism; 2. Social Credit is not a political party.

Not Socialism

Because of the word social in the term "Social Credit", some people erroneously assume it to be a form of Socialism, and automatically reject it. On the contrary, Social Credit is the best way to fight Socialism and Communism, and to protect private property and individual freedom. A Dominican Father, who had studied the Social Credit proposals, even wrote: **"And if you want neither Socialism nor Communism, bring Social Credit in array against them. It will be in your hands a powerful weapon with which to fight these enemies."**

And in 1939, a Commission of nine theologians appointed by the Bishops of Quebec found that Social Credit was not tainted with Socialism nor Communism, and was worthy of close attention. In fact, Social Credit wants to make every member of society a real capitalist, a shareholder in the wealth of the country. If the expression "social" credit scares some people, Douglas's financial proposals can also be referred to under other names: public credit, economic democracy, or New Economics.

Not a political party

Concerning the issue of political parties, it is true that parties called "Social Credit" existed in the past, and that is why some people may be confused: a "Social Credit" party existed on the federal scene in Canada for a while, and was even in power in the Province of Alberta, Canada, from 1935 to 1971, and in the Province of British Columbia, from 1952 to 1991 (except for three years, from 1972 to 1975). None of these provincial parties applied Social Credit. *(The very day he took office as premier in 1952, Bennett, B.C. "Social Credit" leader, even said that his party would do absolutely nothing to apply Social Credit principles. Actually, there was nothing even closely related to real Social Credit in this party or its platform; it should have been more accurately called "conservative".)*

The fact is that there is no need for a so-called "Social Credit" party to have C. H. Douglas's Social Credit principles implemented. These principles can be applied by any political party presently

in office, whatever its name — Liberal, Conservative, etc. Some people may have thought that promoting "Social Credit" parties was the better way to promote Social Credit, but C. H. Douglas and Louis Even thought exactly the opposite.

As Douglas and Louis Even pointed out, the creation of "Social Credit" parties was even a nuisance, and did nothing but to prevent the implementation of real Social Credit. For example, as soon as you use the words "Social Credit" to name a political party, you just close the minds of people of other parties to even study Social Credit, since they will consider it only as another party to be fought.

Real democracy means that elected representatives are sent to Parliament precisely to represent their constituents, and to express the will of their constituents. So the point is not to create new parties, and divide the people even more, but to unite the people around common objectives, and then to put pressure on the Government to implement these objectives. This method of pressure politics is the one advocated by the Michael Journal.

In a speech given to Social Crediters on March 7, 1936, Douglas said that the idea that a Social Credit party should exist (in any country) was a "profound misconception". He even added: **"If you elect a Social Credit party... it would be to elect a set of amateurs to direct a set of very competent professionals. The professionals, I may tell you, would see that the amateurs got the blame for everything that was done."**

This is precisely what happened in Alberta in the 1930s. *(Douglas wrote a very interesting book on that subject, entitled "The Alberta Experiment", from which the following information is taken.)*

The Alberta experiment

William Aberhart was a principal of Calgary High School, who commanded a province-wide audience every Sunday with his religious broadcasts. He came across a book on Social Credit and, being so carried away by this new light, he began to use his radio program to preach the "gospel" of Social Credit, and to mobilize support for it. Hundreds of study groups soon appeared across the province, and a majority of Albertans became in favour of Social Credit. The ruling party in Alberta at the time, the United Farmers, was also open to Social Credit, but said that it


W. Aberhart

could only be applied nation-wide, and not provincially. Aberhart disagreed, and decided to present Social Credit candidates in the 1935 provincial election, and he captured 56 of the 63 seats in the provincial legislature. They were all new to politics, being a "set of amateurs", and were no match for the Financiers.

For example, when Aberhart took office, instead of listening to Douglas's advice, he went to Ottawa to seek financial assistance, and an economic adviser, Mr. Robert Magor, was given to him. This Mr. Magor had obviously only one objective in mind: to discredit Social Credit. Measures were adopted that were just the opposite of Social Credit, and that is what Douglas called "a policy of capitulation to orthodox finance... Almost every mistake of strategy which could be made in Alberta had been made."

It must also be mentioned that Aberhart, although sincere enough, had also little knowledge of Social Credit, and did not understand its technical basis, which led him, in an effort to simplify Douglas's ideas, to often distort them. In the following years, fifteen Social Credit bills were voted on by the Alberta Government, but vetoed by higher authorities (either disallowed by the Federal Government, or ruled unconstitutional by the Supreme Court).

One point of contention was obviously that money and banking was under federal jurisdiction, according to the Canadian Constitution. Douglas explained to Aberhart that Alberta could bypass this difficulty by making use of its own credit by establishing a provincial credit system, since the Constitution grants to the provinces the right to "raise loans upon the sole credit of the Province." As Douglas wrote in The Social Crediter of September 11, 1948: "When Mr. Aberhart won his first electoral victory (in 1935), all he did was to recruit an army for a war (against the monopoly of credit). That war has never been fought."

Aberhart had learned from his mistakes during his first years in office, and was ready, after World War II, to take up the fight again, but he unfortunately died in May, 1943. His successor, Ernest Manning, soon made it clear that he was not prepared to take up that fight again, and finally declared, in 1947, that his government would no longer do anything to implement Social Credit in Alberta. (Incidentally, after retiring from politics, Ernest Manning became a director of a bank.)

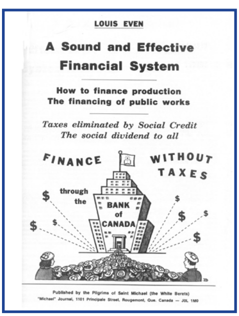
So those who say that "Social Credit is that funny money scheme tried in Alberta, where it failed", are dead wrong. Social Credit did not fail in Alberta, for the simple reason that it was never tried:

all the attempts to implement Social Credit policies were opposed and defeated by a centralized power. As Douglas said, if Social Credit was absurd and worthless as an effective answer to the Great Depression of the period, the best way to have this demonstrated would have been to permit the Government of Alberta to go ahead with a Social Credit policy. The credit monopolists feared that even a partial application of Social Credit would prove so successful that every effort had to be made to prevent this from taking place.

* * *

The only effective way to have the Social Credit proposals implemented by governments is therefore not to promote so-called "social credit" parties, but to make Social Credit principles known to the population — by distributing our Michael leaflets, and, above all, to solicit subscriptions to our Michael Journal — in order to create a public pressure that will be strong enough to get the government — of any party — of our country to issue its own money, debt free, and to implement Douglas's Social Credit principles.

We firmly believe that the Social Credit principles, once implemented, would be a very efficacious way to eliminate poverty (in the countries in which they are implemented). For the first time in history, absolute economic security, without restrictive conditions, would be guaranteed to each and every individual. So, dear reader, go ahead and study the following pages. You will find them most enlightening. Our hope is that this study will get you to take action to make this Social Credit solution known to your fellow countrymen, in order to create a public pressure that will be strong enough to get the government of your country to issue its own money, debt free, and to implement Douglas's Social Credit principles.



(The following text is taken from Louis Even's booklet "A Sound and Effective Financial System.")

At the root of evil

— Why criticize and denounce the present financial system?

Because it does not fulfill its purpose.

— What is the purpose of a financial system?

The purpose of a financial system is to finance. To finance the production of goods which answer the needs, and to finance the production of these goods so they will meet these needs.

If the financial system does this, it fulfills its role. If it does not, it does not fulfill its role. If it does something else, it goes beyond its role.

— Why do you say that the present financial system does not fulfill its role?

Because there are goods – public goods and private goods – that are required by the population and that are most certainly physically feasible but that stay in nothingness because the financial system does not finance their production. Moreover, there are goods offered to a population that is in need of them, but which some individuals or families cannot obtain because the financial system does not finance consumption. These are undeniable facts.

— What is production or consumption financed with?

With means of payment (cash credits). These means of payment (cash credits) can be made up of coins, paper money, or checks drawn on bank accounts.

All these means of payment (cash credits) can be included under the term "financial credit", because everybody accepts them with confidence. The word credit implies confidence. You accept four quarters or a one dollar note from the Bank of Canada with the same confidence as a one-dollar check from any bank where the maker of the check has a bank account. You know that with either of these three means of payment (cash credits), you can pay for labor or materials for the value of one dollar if you are a producer, or consumer goods for the value of one dollar if you are a consumer.

— Where does this "financial credit", these means of payment (cash credits) draw their value from?

Financial credit draws its value from "real credit". That is to say, from the country's production capacity. A dollar, in any form, has value only because the countries production can supply goods to match it. You can call this production capacity "real credit" because it is the real factor of confidence. It is a country's real credit, its production capacity, which causes you to have confidence in being able to live in that country.

— To whom does this "real credit" belong?

It is a product, which is a benefit of society. There is no doubt that individual and group efforts of all kinds contribute to this. But without the existence of the natural resources that are a gift from

Providence, and not the result of individual competence, organized society which allows the division of labor, and services such as schools, roads, transportation, etc; the global production capacity would be very weak.

This is why we speak of national production and national economy, which does not mean State-controlled production at all. It is in this global production capacity that the citizens, each citizen, must be able to find a base of confidence for the satisfaction of his material needs. Pius XII said in his Whitsunday Broadcast in 1941:

"The national economy, the fruit from the activities of men who work together in the national community, tends towards no other thing than securing, without interruption, the material conditions in which the individual life of the citizens will be able to fully develop."

— To whom does "financial credit" belong?

From its beginning financial credit belongs to the community in the same way as real credit from which it draws its value. It is a product of the community from which it must benefit in one way or another, all the members of the community.

Like "real credit", financial credit is by its very nature a social credit, meaning it belongs to all the members of society.

The use of this community product must not be subjected to conditions which hinder the production capacity, nor which divert production from its proper purpose which is to serve human needs: needs of a private and public nature, in their order of urgency; the satisfaction of the basic needs of all before the luxury requests of a few; before the splendour and the paranoiac plans of the public administrators who are greedy for fame.

— Is it possible to make the general economy conform to this hierarchy of needs, without a dictatorship that plans everything, imposes production programs, and administers the distribution of goods?

It is certainly possible, with a financial system that guarantees to each individual a share of the financial credit of the community. A sufficient share so that the individual can demand from the country enough production to satisfy at least his basic needs.

Such a financial system would not be a dictatorship. Production would plan its programs from the orders coming in from consumers, as far as private goods are concerned; and it would plan them from the orders coming in from public administrations as far as public goods are concerned. The financial system would thus serve, on the one hand, to express the consumers' will; and on the other hand, it would act in the producers' service to mobilize the country's production capacity to be in step with the demands of private and public consumers.

For this it is necessary to have a financial system that conforms to reality and not one that does violence to it. A financial system that reflects facts and not one that is at variance with it. A financial system that distributes and not one that rations, a financial system that serves man and not one that degrades him.

— Is such a financial system conceivable?

Yes. Its outline was given by Clifford Hugh Douglas, the master and genius who expounded to the world what is called Social Credit (not to be mixed up with the prostitution of political parties that invest themselves with this name).

Douglas summarized in three propositions the basic principles of a system that would fulfill these goals and be flexible enough to follow the economy in all its developments, up to any degree of mechanization, motorization, or automation.

Douglas's three propositions

— What are the three propositions of Douglas?

Douglas publicly set forth these three propositions on three occasions: at Swanwick, in 1924; before the MacMillan Committee, in May 1930; and in a lecture given at Caxton Hall, London, in October 1930. And he reproduced them in some of his writings, among them, *The Monopoly of Credit.*

The first of these propositions relates to the financing of consumption by an adjustment between purchasing power and prices:

"The cash credits of the population of any country shall at any moment be collectively equal to the collective cash prices for consumable goods for sale in that country, and such cash credits shall be cancelled or depreciated only on the purchase or depreciation of goods for consumption."

Douglas did not change anything in the terms of this proposition: they were the same in 1930 as in 1924. In this proposition, in mentioning the means of payment, meaning specie or scrip money in the consumers' hands, Douglas uses the term "cash credits", while when he speaks about the financing of production he simply says "credits".

The difference between the two is that the money in the consumers' hands is theirs: for them it is purchasing power that they use as they please in obtaining products of their own choosing. While the credits to production are advances that the producer must pay back when his products have been sold.

— What is the goal of this first proposition set forth by Douglas?

The goal of this proposition is to achieve what can be called the perfect purchasing power by establishing an equilibrium between the prices to be paid by the buyers and the money in the buyers' hands.

Social Credit makes a distinction between the cost price and the price to be paid by the buyer (cash price). The buyer would not have to pay the full cost price but only the price reduced to a level corresponding to the means of payment (cash credits) in the population's hands.

The cost price must always be recovered by the producer if he wishes to remain in business. But the price to be paid must be at the level of the purchasing power in the consumers' hands, if you want production to meet its purpose which is consumption.

— How can this twofold condition be carried out?

By a price-adjustment mechanism. An adjustment and not a fixing of prices: the set up of cost prices is a matter for the producers themselves; it is they who know what production costs them in expenses.

The proposed adjustment would consist of a coefficient that would be applied to all retail prices. This coefficient would be periodically calculated (every three or six months, for example) according to the ratio between total consumption and total production during a given period.

If, for example, during this given period total production was $40 billion and total consumption was $30 billion, you can conclude that whatever the accounting cost prices may be in reality, the production of $40 billion has cost the country $30 billion. Therefore $30 billion is the real cost of the total production of $40 billion. And if the producers must recover $40 billion, the consumers, for their part, must pay only $30 billion. The missing $10 billion must be provided to the producers through another source but not through the buyers. It is up to the monetary mechanism to see to the provision of it.

In this case, a 3/4 coefficient will be applied to all retail prices: the cost prices will be multiplied by this coefficient, by 3/4 or 0.75.

The buyer will therefore pay only 75 percent of the cost price.

In other words, a general discount of 25 percent (the opposite of a sales tax) will be decreed on all retail prices for the length of the new term. At the end of each term, the general discount rate is thus calculated according to the statistics of consumption in relation with the statistics of production of the given period. Thus you get as close as possible to the perfect purchasing power.

This operation is sometimes called a compensated price or a compensated discount, because the money the seller does not receive from the buyer is given to him afterwards by the National Credit Office. This compensation allows the seller to recover his full cost price. No one loses out. Everybody gains by the selling of goods made easier to meet needs.

— And what is Douglas's second proposition?

Douglas's second proposition relates to the financing of production. It was expressed as follows by its author at Swanwick and also before the MacMillan Committee:

"The credits required to finance production shall be supplied not from savings but by new credits relating to new production."

At Caxton Hall in October of 1930, Douglas thus changed the end of his statement:

"new credits relating to production."

He does not say "new production", but only "production", obviously both are synonymous. As production is made, it is a new production made to keep up the production flow where the consumer shops. Some have wrongly interpreted this proposition as applying only to an increase in the volume of production, which is most certainly not the case according to the context of the three propositions.

Douglas adds:

"And these credits shall be recalled only in ratio of general depreciation to general appreciation, general enrichment."

Why finance production this way, with new credits and not with savings? Because savings come from money that has been distributed in step with a realized production, and now all this money has gone into the cost price of the realized production. If this money is not used to buy production, the gap between the means of payment and prices will increase.

You can say that the savings used to finance a new production flow through investments or other means, and come back into circulation as purchasing power. It is true but it is as expenses are made by the producer that there is a new price created. Now the same amount of money cannot serve to pay the corresponding price of the former production simultaneously with the corresponding price of the new production.

Each time saved money comes back to the consumers, it is by creating a new price without having paid a former price left without corresponding purchasing power when this money becomes savings.

— And what about Douglas's third financial proposition?

The third proposition introduces a new element into purchasing power: the distribution of a dividend to all, employed or not, in production. It is therefore a component factor of purchasing power which leaves no individual without a means of payment.

It is the recognition of the right of all to a share in production, as co-capitalists, coheirs of the biggest modern production factor: acquired progress, enlarged and transmitted from one generation to the next and also as co-owners of the natural resources that are a free gift from God.

It is also the way to maintain a flow of purchasing power in relation to the flow of production, even though production would increasingly do without the use of employees. Therefore, it would be the solution to the biggest present headache, which makes economists knock their heads against the wall and which dumbfounds governments in face of their unsuccessful full-employment policy. The pursuit of full employment is nonsense, difficult to justify on the part of intelligent beings while progress inexorably applies itself to freeing workmen, increasingly eliminating the need for employees.

Here is how Douglas puts it:

"The distribution of cash to individuals shall be progressively less dependent upon employment. That is to say that the dividend shall progressively displace the wage and salary."

Progressively — as Douglas says it elsewhere — as productivity increases per man-hour. This is perfectly in keeping with the role taken by work and progress in the production flow.

Progress — a collective good — becomes more and more important as a production factor and human labor, less and less so. This reality must be reflected in the distribution of incomes through dividends to all and through reward for employment.

— But is this not turning everything upside down in the financing of production and in the distribution of the claims on production?

Simply put, it is just a change in philosophy and in the conception of the role of the economic and financial systems, bringing them back to their proper purposes and to serving the people by the appropriate means available. It is time the ends and the means returned to their proper place. It is time perversion gave way to rectification.

— But all this seems to imply that money or financial credit can come like this to finance production and consumption!

Certainly, because the monetary system is essentially an accounting system. Are the accountants short of figures to count, add, subtract, multiply, divide, make rules of three, and express percentages?

Moreover, the facts are there to show that money is a matter of figures: figures that the monopolizers of the system can cause to appear or disappear according to their whims without any more concrete items than a book, a pen, and a few drops of ink.

In a lecture given at Westminster on March 7, 1936, C .H. Douglas said to his audience — a Social Credit audience:

"We, Social Crediters, say that the monetary system at present does not reflect facts. The opposition says it does. Well, I put it to your common-sense. How was it that a world which was apparently almost feverishly prosperous in 1929 — or alleged to be so, judged by orthodox standards — and certainly capable of producing tremendous quantities of goods and services and distributing a considerable proportion of them, could be so impoverished by 1930, and so changed fundamentally, that conditions were reversed and the world was wretchedly poor? Is it reasonable to suppose that between a single date in October, 1929, and a few months later, the world would change from a rich one to a poor one? Of course it is not."

Douglas made this remark three and a half years before World War II broke out. Once it was declared, everybody could ask themselves the same question as Douglas did, but in reverse:

How is it that after ten years in which more was scarce all of a sudden they found all the money that was needed overnight for a war that lasted six years and which cost billions?

The same answer applies to both cases: The monetary system is only a question of accounting and requires only figures bearing a legal seal. Therefore, if there is no money to oil the wheels of great production facilities that can satisfy normal human needs, and if money suddenly becomes plentiful when the producers and means of production are requisitioned for battlefields and the production of war engines, it is because the present monetary system imposes decisions instead of faithfully reflecting the facts resulting from free acts carried out by free producers and free consumers.

Lesson 9

Social Credit and the social doctrine of the Church (Part I)

Social Credit: applied Christianity

Clifford Hugh Douglas once said that Social Credit is in essence applied Christianity. The Social Doctrine of the Roman Catholic Church and Social Credit show that the financial proposal applies the Church's teaching on Social Doctrine.

Vers Demain (literally, "Towards tomorrow", the French-language version of this journal) was founded by Louis Even and Gilberte Cote-Mercier, and was first published in Canada in 1939. An edition in English called "Michael" followed in 1953. An edition in Polish appeared in 1999, and an edition in Spanish in 2003. The "white berets" have been traveling all over the world for the last 68 years bringing the message of Vers Demain to the world.

The message carried by the journals is still the same in 2007 as it was in 1939. The objective is to promote the development of a Christian society through the diffusion and implementation of the teaching of the Church in every sector of society, including financial. Our founders called it Vers Demain which means "towards tomorrow" insuring a brighter future.

Louis Even

Louis Even was convinced that a better world could be built primarily upon the eternal principle of the Gospel and the teachings of the Roman Catholic Church. The mission statement of the journals is clearly set on the front page of every issue under the logo:

On the far left, **"A Journal of Catholic Patriots, for the Kingship of Christ and Mary, in the souls, families and countries"** and on the right, **"For a Social Credit Economy, in accordance with the teachings of the Church through the vigilant action of heads of families, and not through political parties."** (This means, among other things, that the "Social Credit" philosophy that is referred to here has nothing to do with political parties, not even so-called "Social Credit parties", but is simply an economic reform that can be applied by any political party in power).

"Michael" is therefore a journal of Catholic patriots, that also deals with an economic reform, with "Social Credit." Why? "What does this have to do with religion?" some might ask. The "Social Credit" system is nothing but a method, a way to apply the Church's social doctrine, which is an integral part of the teaching of the Church. So in this the "Michael" Journal does not depart from its first objective which is "to promote the development of a more Christian society through the diffusion of the teaching of the Roman Catholic Church."

Why a social doctrine?

If the Church intervenes in social matters, and has developed a set of principles that came to be called the "social doctrine of the Church", it is essentially because, as Pope Benedict XV said, **"it is on the economic field that the salvation of souls is at stake."**

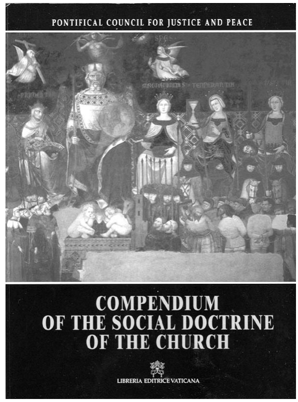
His immediate successor, Pope Pius XI, stated, **"It may be said with all truth that nowadays the conditions of social and economic life are such that vast multitudes of men can only with great difficulty pay attention to that one thing necessary, namely their eternal salvation."** (Encyclical letter *Quadragesimo Anno*, May 15, 1931.)

Pius XII used similar words, in his June 1, 1941 radio-broadcast: **"How could the Church — a so loving Mother who cares about the well-being of her sons — be permitted to remain indifferent when she sees their hardships, to remain silent or pretend not to see and not to understand social conditions which, voluntarily or not, make it difficult and practically impossible a Christian conduct in conformity with the Commandments of the Sovereign Lawgiver?"** Throughout the centuries the Popes have continued to echo this message.

Permeating society with the Gospel

On October 25, 2004, the Pontifical Council for Justice and Peace published the "Compendium of the Social Doctrine of the Church." This document presents the principles of the Church's Social Doctrine in diverse areas of public life. Work on the volume began under the presidency of Cardinal Francois Xavier Nguyen Van Thuan.

The book is dedicated to the late Holy Father John Paul II, "master of social doctrine and evangelical witness to justice and peace" who, in the 1999 Post-synodal Apostolic Exhortation *Ecclesia in America* recommended that "it would be very useful to have a compendium or approved synthesis of Catholic social doctrine, including a catechism which would show the connection between it and the new evangelization."



The Compendium states that: "the Church' social doctrine is an integral part of her evangelizing ministry….nothing that concerns the community of men and women, situations and problems regarding justice, freedom, development, relations between peoples, peace, is foreign to evangelization. Evangelization would be incomplete if it did not take into account the mutual demands continually made by the Gospel and by the concrete, personal and social life of man."

One reads in Paragraph 71: **"On the one hand, religion must not be restricted 'to the purely private sphere'; on the other, the Christian message must not be relegated to a purely other-worldly salvation incapable of shedding light on our earthly existence. Because of the public relevance of the Gospel and faith, because of the corrupting effects of injustice, that is, of sin, the Church cannot remain indifferent to social matters. To the Church belongs the right always and everywhere to announce moral principles, including those pertaining to the social order, and to make judgments on any human affairs to the extent that they are required by the fundamental rights of the human person or the salvation of souls."**

The Church cannot remain indifferent to the plagues of hunger and indebtedness in a world which jeopardize the salvation of souls. This is why the Church calls for reform of financial and economic systems which would put them at the service of human beings. The Church presents the moral principle upon which any financial system must be judged. The Church calls on the lay faithful to practice these principles in a practical manner. The lay faithful have the role of renewing the temporal order and bring it into line with God's plan working for solutions of the economic plan as the ultimate mission.

Social Credit

It is for this reason that Louis Even decided to spread the Social Credit doctrine, which is a set of principles and financial proposals that were brought forth for the first time in 1918 by Scottish engineer Clifford Hugh Douglas.

When Louis Even discovered the great light of Social Credit in 1935, he immediately understood how this solution would apply Christian principles of social justice in economics. The right of all to the use of material goods and the distribution of daily bread to all through the allocation of a social dividend to every human being. Louis Even made it his duty to bring the great light of Social Credit to all because he understood the importance of this doctrine.

The four basic principles of the Church's social doctrine

The social doctrine of the Church can be summarized in four principles, or "pillars", upon which every system in society must be founded. Here is quote from paragraph 160 through 161 of the Compendium of Social Doctrine of the Church:

"The permanent principles of the Church's social doctrine constitute the very heart of Catholic social teaching. These are the principles of:

1. **The dignity of the human person, which is the foundation of all the other principles and content of the Church's social doctrine;**
2. **the common good**
3. **subsidiary**
4. **solidarity**

"These are principles of a general and fundamental character, since they concern the reality of society in its entirety… Because of their permanence in time and their universality of meaning, the Church presents them as the primary and fundamental parameters of reference for interpreting and evaluating social phenomena, which is the necessary source for working out the criteria for the discernment and orientation of social interactions in every area."

Primacy of the human person

The social doctrine of the Church can be summarized in a basic principle, the primacy of the human person:

"The Church's teaching on social matters has truth as its guide, justice, as its end, and love as its driving force… the cardinal point of this teaching is that individual men are necessarily the foundation, cause, and end of all social institutions." (Pope John XXIII, encyclical letter *Mater et Magistra*, May 15, 1961.)

The Compendium states: "The Church sees in men and women, in every person, the living image of God Himself. This image finds, and must always find anew, an ever deeper and fuller unfolding of itself in the mystery of Christ, the Perfect Image of God, the One who reveals God to man and man to himself." (Paragraph 105.)

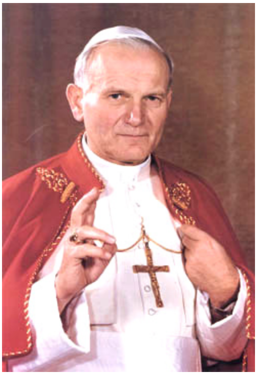
"All of social life is an expression of its unmistakable protagonist: the human person: 'The human person is, and must always remain, the subject, foundation and goal of social life.'" (Pius XII, radio message of Dec. 24, 1944.)

"A just society can become a reality only when it is based on the respect of the transcendent dignity of the human person. The person represents the ultimate end of society, by which it is ordered to the person: 'Hence, the social order and its development must invariably work to the benefit of the human person, since the order of things is to be subordinate to the order of persons, and not the other way around.'" (Vatican II, Pastoral Constitution *Gaudium et Spes*, 26.)

"Respect for human dignity can in no way be separated from obedience to this principle. It is necessary to 'consider every neighbor without exception as another self, taking into account first of all his life and the means necessary for living it with dignity.' Every political, economic, social, scientific and cultural program must be inspired by the awareness of the primacy of each human being over society." (Paragraph 132.)

Systems at the service of man

Social Credit shares the same philosophy. In the first chapter of his book, *Economic Democracy*, Clifford Hugh Douglas wrote: **"Systems are made for men, and not men for systems, and the interest of man which is self-development, is above these systems."**



John Paul II

In his first Encyclical Letter *Redemptor Hominis* (The Redeemer of Man), Pope John Paul II spoke of **"the indispensable transformations of the structures of economic life of poverty amidst plenty that brings into question the financial and monetary mechanisms… Man cannot relinquish himself or the place in the visible world that belongs to him; he cannot become the slave of things, the slave of economic systems, the slave of production, the slave of his own products."**

So it is very clear in these quotes that all systems must be at the service of man and that includes the financial and economic systems: "**Again, I want to tackle a very delicate and painful issue. I mean the torment of the representatives of several countries, who no longer know how to face the fearful problem of indebtedness. A structural reform of the world financial system is, without doubt, one of the initiatives that seem the most urgent and necessary."** (Message given by Pope John Paul II, to the 6th United Nations Conference on Trade and Development in Geneva on September 26, 1985.)

"As a democratic society, see carefully to all that is happening in this powerful world of money! The world of finance is also a human world, our world, submitted to the conscience of all of us; for it too exist ethical principles. So see especially to it that you may bring a contribution to world peace with your economy and your banks and not a contribution — perhaps in an indirect way — to war and injustice!" (John Paul II, homily at Flueli, Switzerland, June 14, 1984.)

In his encyclical letter *Centesimus Annus* that was issued in 1991 for the 100th Anniversary of Leo XIII's encyclical *Rerum Novarum*, Pope John Paul II drew a list of the basic human rights:

"The right to life, an integral part of which is the right of the child to develop in the mother's womb from the moment of conception; the right to live in a united family and in a moral environment conducive to the growth of the child's personality; the right to develop one's intelligence and freedom in seek ing and knowing the truth; the right to share in the work which makes wise use of the earth's material resources, and to derive from that work the means to support oneself and one's dependents; and

the right freely to establish a family, to have and to rear children through the responsible exercise of one's sexuality. In a certain sense, the source and synthesis of these rights is religious freedom, understood as the right to live in the truth of one's faith and in conformity with one's transcendent dignity as a person."

Capitalism must be corrected

The social doctrine of the Church stands above existing economic systems, since it confines itself to the level of principles. An economic system is good only to the extent that it applies the principles of justice taught by the Church. As Pope John Paul II wrote in 1987, in his encyclical letter *Sollicitudo Rei Socialis*: **"The tension between East and West is an opposition... between two concepts of the development of individuals and peoples, both concepts being imperfect and in need of radical correction... This is one of the reasons why the Church's social doctrine adopts a critical attitude towards both liberal capitalism and Marxist collectivism."**

We may understand why the Church condemns Communism or Marxist collectivism which as Pope Pius XI wrote, is "intrinsically evil" and anti-Christian with its avowed goal being the complete destruction of private property, family and religion. Why would the Church condemn capitalism?

In the second chapter of his encyclical *Centesium Annus*, John Paul II recalls the different events that have taken place in the world since Leo XIII's *Rerum Novarum* up to the present day, including the two world wars and the establishment of Communism in Eastern Europe. He indicates how Leo XIII was right to denounce socialism which far from solving the social question, would turn out to be a huge failure causing millions of innocent victims to suffer:

Leo XIII

"Pope Leo foresaw the negative consequences — political, social and economic — of the social order proposed by 'socialism'... One must emphasize here the clarity in recognizing the evil of a solution which, by appearing to reverse the positions of the poor and the rich, was in reality detrimental to the very people whom it was meant to help. The remedy would prove worse than the sickness. By defin-

ing the nature of the socialism of his day as the suppression of private property, Leo XIII arrived at the crux of the problem."

John Paul II said that the fundamental error of socialism is atheism because when a person denies the existence of God, of a superior being who created man, one also denies the existence of all moral law. The dignity and rights of the human person are destroyed, which leads to dictatorships where the State decides what is good for the individual. This also leads to social disorder and anarchy, where each individual makes up his own conception of good and evil.

Even if Marxism has collapsed, this does not mean the triumph of capitalism. Even after the fall of Communism there are still millions of poor people and situations of injustice in the world:

"The Marxist solution has failed, but the realities of marginalization and exploitation remain in the world, especially the Third World, as does the reality of human alienation, especially in the more advanced countries. Against these phenomena the Church strongly raises her voice. Vast multitudes are still living in conditions of great material and moral poverty. The collapse of the Communist system in so many countries certainly removes an obstacle to facing these problems in an appropriate and realistic way, but it is not enough to bring about their solution. Indeed, there is a risk that a radical capitalistic ideology could spread which refuses even to consider these problems, in the a priori belief that any attempt to solve them is doomed to failure, and which blindly entrusts their solution to the free development of market forces." (*Centesimus Annus*, 42.)

In this encyclical letter, John Paul II recognizes the merits of free enterprise, private initiative and profit: **"It would appear that, on the level of individual nations and of international relations, the free market is the most efficient instrument for utilizing resources and effectively responding to needs. But this is true only for those needs which are 'solvent', insofar as they are endowed with purchasing power, and for those resources which are 'marketable', insofar as they are capable of obtaining a satisfactory price. But there are many human needs which find no place on the market. It is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied, and not to allow those burdened by such needs to perish."** (n. 34.)

The fault that the Church finds with present capitalism is then neither private property nor free enterprise. Far from wishing the disappearance of private property the Church rather wishes its widespread availability so that all may become real owners of capital and be real "capitalists":

John XXIII

"The dignity of the human person necessarily requires the right of using external goods in order to live according to the right norm of nature. And to this right corresponds a most serious obligation, which requires that, so far as possible, there be given to all an opportunity of possessing private property... Therefore, it is necessary to modify economic and social life so that the way is made easier for widespread private possession of such things as durable goods, homes, gardens, tools requisite for artisan enterprises and family-type farms, investments in enterprises of medium or large size." (Pope John XXIII, encyclical letter *Mater et Magistra,* May 15, 1961, nn. 114-115.)

Social Credit with its dividend to every individual would acknowledge every human being as a capitalist, a co-heir of the natural resources and progress, some of which are human inventions and technology.

Capitalism has been vitiated by the financial system

The fault that the Church finds with the capitalist system is the fact that each and every human being living on the planet does not have access to a minimum of material goods. So they are not allowed to have a decent life and even in the most advanced countries there are thousands of people who do not eat their fill. It is the principle of the destination of human goods that is not fulfilled: there is plenty of production, it is the distribution that is defective.

And in the present system the instrument that makes possible the distribution of goods and services, the symbol that allows people to get products, is money. It is therefore the money system, the financial system that is at fault in capitalism.

Pope Pius XI wrote in *Quadragesimo Anno* in 1931: **"Capitalism itself is not to be condemned. And surely it is not vicious of its very nature, but it has been vitiated."**

What the Church condemns is not capitalism as a producing system, but, according to the words of Pope Paul VI, "the calamitous system that accompanies it," which is the financial system:

Paul VI

"This unchecked liberalism led to dictatorship rightly denounced by Pope Pius XI as producing `the international imperialism of money'. One cannot condemn such abuses too strongly, because — let us again recall solemnly — the economy should be at the service of man. But if it is true that a type of capitalism has been the source of excessive suffering, injustices and fratricidal conflicts whose effects still persist, it would be wrong to attribute to industrialization itself evils that belong to the calamitous system that accompanied it. On the contrary, one must recognize in all justice the irreplaceable contribution made by the organization and the growth of industry to the task of development." (Paul VI, Encyclical Letter *Populorum Progressio*, on the development of peoples, March 26, 1967, n. 26.)

The defect of the system: money is created by the banks as a debt

It is the financial system that does not accomplish its purpose; it has been diverted from its end that is to makes the goods meet the needs. Money should be nothing but an instrument of distribution and a symbol that gives a claim, in other words a simple accounting system.

Money should be a servant, but the bankers in appropriating the control over its creation, have made it an instrument of domination. Since people cannot live without money everyone must, and this includes governments, corporations, and individuals; must submit to the conditions imposed upon them by the bankers to obtain money. Money means having the right to live in today's society. This establishes a real dictatorship over economic life, and so the bankers have become the masters of our lives. Pope Pius XI was quite right when he said in *Quadragesimo Anno*:

"This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying, so to speak, the lifeblood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will." (n. 106.)

Pius XI

There is no way any country can get out of debt in the present system, since all money is created as a debt: all the money that exists comes into circulation only when it is lent by the banks with interest. And when the loan is paid back to the bank, this money being withdrawn from circulation, it ceases to exist. In other words new money is created every time banks make a loan and this same money is destroyed every time loans are paid back.

The fundamental flaw in this system is that when banks create new money in the form of loans, they ask the borrowers to pay back more money than what was created. The banks create the principal, but not the interest. And since it is impossible to pay back money that does not exist, debts must pile up, or you must borrow also the amount to pay the interest. This does not solve your problem because you fall even deeper into debt.

This creation of money as debt by the international bankers is the means of imposing their will upon individuals and of controlling the world:

"Among the actions and attitudes opposed to the will of God, the good of neighbour and the 'structures' created by them, two are very typical: on the one hand, the all-consuming desire for profit, and on the other, the thirst for power, with the intention of imposing one's will upon others." (John Paul II, encyclical letter *Sollicitudo rei socialis,* n. 37.)

Since money is an instrument that is basically social, the Social Credit doctrine proposes that money be issued by society and not by private bankers for their own profit. Pope Pius XI stated in *Quadragesimo Anno*:

"There are certain categories of goods for which one can maintain with reason that they must be reserved to the community when they come to confer such an economic power that it cannot, without danger to the common good, be left to the care of private individuals."

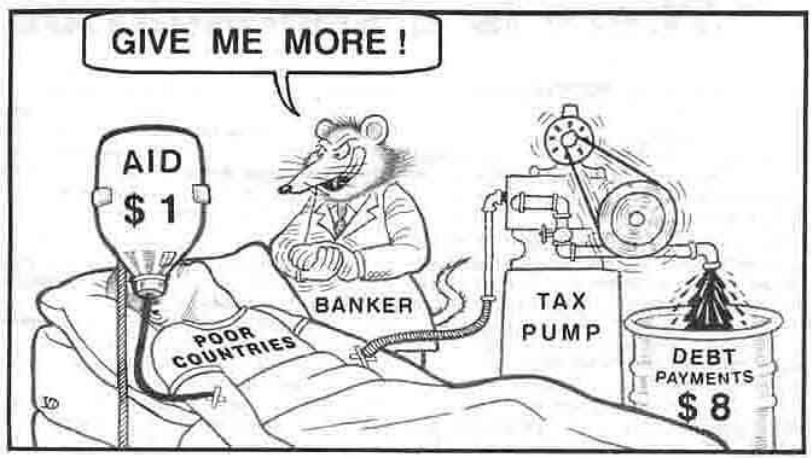
The effect of compound interest

Institutions like the International Monetary Fund and the World Bank pretend to help countries in financial difficulties with their loans, but because of the interest charges (compound interest) they have to pay them back and so these countries end up even poorer than they were before the loans were made. Here are some striking examples: During the time period of 1980-1990 Latin American countries paid $418 billion in interest on original loans of $80 billion... and they still owed the capital even though they paid it back more than five times!

In Canada things are even worse: 93% of the national debt of $562 billion (in 2003) was made up of interest charges: the original capital borrowed ($39 billion) represents only 7% of the debt. The remaining $523 billion covers what it cost to borrow that $39 billion!

According to the Jubilee 2000 Coalition for every dollar flowing as aid to poor countries each year $8 are sent back in debt payments. It is examples of debt systems like these that brought Saint Leo to write: **"The avarice that claims to do its neighbour a good turn while it deceives him is unjust and insolent... He who, among the other rules of a pious conduct, will not have lent his money at usury, will enjoy eternal rest... whereas he who gets richer to the detriment of others deserves, in return, eternal damnation."** Saint John Chrysostom also wrote: **"Nothing is more shameful nor cruel than usury."**

For every dollar flowing as aid to poor countries each year, $8 are sent back in debt payments.



Any sensible person will realize that it is criminal to require nations to continue to pay interest on debts that have already been paid several times. We can see now why the Church condemns usury and calls for the cancellation of debts. When you understand that the money lent by banks is literally created out of nothing, with a simple stroke of the pen (or entering digits in computers), then it is easy to understand that debts can be cancelled without anyone being penalized.

On December 27, 1986, the Pontifical Justice and Peace Commission issued a document entitled *An Ethical Approach to the International Debt Question*. Here are some excerpts to help emphasize our point:

"Debtor countries, in fact, find themselves caught in a vicious circle. In order to pay back their debts, they are obliged to transfer ever greater amounts of money outside the country. These are resources which should have been available for internal purposes and investment and therefore for their own development.

"Debt servicing cannot be met at the price of the asphyxiation of a country's economy, and no government can morally demand of its people privations incompatible with human dignity... With the Gospel as the source of inspiration, other types of action could also be contemplated such as granting extensions, partial or even total remission of debts... In certain cases, the creditor States could convert the loans into grants.

"The Church restates the priority to be granted to people and their needs, above and beyond the constraints and financial mechanisms often advanced as the only imperatives."

Pope John Paul II wrote in his encyclical letter *Centesimus Annus (n. 35)*: **"The principle that debts must be paid is certainly just.** *(Note from the "Michael" Journal: to pay the capital is just, but not to pay the interest.)* **It is not right to demand or expect payment when the effect would be the imposition of political choices leading to hunger and despair for entire peoples. It cannot be expected that the debts which have been contracted should be paid at the price of unbearable sacrifices. In such cases it is necessary to find — as in fact is partly happening — ways to lighten, defer, or even cancel the debt, compatible with the fundamental right of peoples to subsistence and progress."**

In preparation for the Great Jubilee of the Year 2000 Pope John Paul II mentioned on several occasions the need to cancel all debts. Here are excerpts from his weekly audience of Nov. 3, 1999:

"In the jubilee years of Old Testament times, people recovered family property lost through payment of debt, and those who had lost their freedom through debt, were freed. This was because the land belonged to God, who gave it to the whole community to use for its own benefit. The jubilee reminds us of the demands

of the common good and of the fact that the world's resources are meant for everyone. It is thus an appropriate time to give thought to reducing substantially, if not cancelling outright, the international debt which seriously threatens the future of many nations."

Once debts are written off the only way to stop debts building up again and allow nations to make a fresh start is for each nation to create its own debt-free and interest-free money, and stop borrowing at interest from commercial banks and international institution such as the International Monetary Fund and the World Bank. If you leave to private bankers the power to create money, the debts will build up again. This reminds us of the words of Sir Josiah Stamp, former head of the Bank of England:

Josiah Stamp

"Banking was conceived in iniquity and born in sin... Bankers own the earth. Take it away from them, but leave them the power to create money, and, with a flick of a pen, they will create enough money to buy it back again... Take this great power away from them, and all great fortunes like mine will disappear, and they ought to disappear, for then this would be a better and happier world to live in... But, if you want to continue to be the slaves of the bankers and pay the cost of your own slavery, then let bankers continue to create money and control credit."

For those who do not understand how banks create money, the only way a debt can be cancelled is to have someone pay it back. But when those who understand the principles of Social Credit and the mechanisms of the banking system say "cancel" the debt, we actually mean it: erase it! We do not ask anyone to pay it and we certainly do not ask the Government to "print money" to pay the debt. What we propose is that the Government stop borrowing at interest immediately. It is perfectly able to create money on its own, interest free. This is the only solution that goes to the root of the problem and solves it once and for all and it would finally put money at the service of the human person.

I

Lesson 10

Social Credit and the social doctrine of the Church (Parti II)

The subject that we treated in the previous lesson was the first of four basic principles, regarding the primacy of human beings over mere systems, as viewed through the social doctrine of the Church.

So that means, according to Church teaching, the aim of the economic and financial system is the service of man. The goal of an economic system should be the satisfaction of human needs, the production of goods (the role of the producing system) and the distribution of goods so that they may reach the people who need them (the role of the financial system). Social Credit proposes a technique that would make the production and financial systems serve their purpose.

Pius XI

In his Encyclical *Quadragesimo Anno,* Pope Pius XI defined the aspired end of an economic system in this way:

"For then only will the economic and social organism be soundly established and attain its end, when it secures for all and each those goods which the wealth and resources of nature, technical achievement, and the social organization of economic affairs can give.

"These goods must be sufficient to supply all needs and an honest livelihood, and to uplift men to that higher level of prosperity and culture which, provided it be used with prudence, is not only no hindrance but is of singular help to virtue." (n. 75)

The common good

Now, let us discuss the three other principles mentioned in the *Compendium of the social doctrine of the Church*: the common good, subsidiarity, and solidarity.

164. The principle of the common good, to which every aspect of social life must be related if it is to attain its fullest meaning, stems from the dignity, unity and equality of all people. According to its primary and broadly accepted sense, **the common good indicates "the sum total of social conditions which allow people,**

either as groups or as individuals, to reach their fulfilment more fully and more easily." (*Gaudium et Spes*, 26.)

167. The common good therefore involves all members of society; no one is exempt from cooperating, according to each one's possibilities, in attaining it and developing it. Everyone also has the right to enjoy the conditions of social life that are brought about by the quest for the common good. The teaching of Pope Pius XI is still relevant: "The distribution of created goods, which, as every discerning person knows, is labouring today under the gravest evils due to the huge disparity between the few exceedingly rich and the unnumbered propertyless, must be effectively called back to, and brought into conformity with, the norms of the common good, that is, social justice." (Encyclical Letter *Quadragesimo Anno*, 197.)

168. **The responsibility for attaining the common good, besides falling to individual persons, belongs also to the State, since the common good is the reason that the political authority exists.** (Cf. *Catechism of the Catholic Church, n. 1910*.) The State, in fact, must guarantee the coherency, unity and organization of the civil society of which it is an expression, in order that the common good may be attained with the contribution of every citizen. The individual person, the family or intermediate groups are not able to achieve their full development by themselves for living a truly human life. Hence the necessity of political institutions, the purpose of which is to make available to persons the necessary material, cultural, moral and spiritual goods. The goal of life in society is in fact the historically attainable common good.

170. The common good of society is not an end in itself; it has value only in reference to attaining the ultimate ends of the person and the universal common good of the whole of creation. God is the ultimate end of His creatures, and for no reason may the common good be deprived of its transcendent dimension, which moves beyond the historical dimension while at the same time fulfilling it.

The universal destination of goods

171. **Among the numerous implications of the common good, immediate significance is taken on by the principle of the universal destination of goods: "God destined the earth and all it contains for all men and all peoples so that all created things would be shared fairly by all mankind under the guidance of justice tempered by charity."** (*Gaudium et Spes*, 69.) This principle is based on the fact that "the original source of all that is good is the very act of

God, who created both the earth and man, and who gave the earth to man so that he might have dominion over it by his work and enjoy its fruits (Gen 1:28-29).

God gave the earth to the whole human race for the sustenance of all its members, without excluding or favouring anyone. This is the foundation of the universal destination of the earth's goods. The earth, by reason of its fruitfulness and its capacity to satisfy human needs, is God's first gift for the sustenance of human life." (John Paul II, *Centesimus Annus*, 31.) The human person cannot do without the material goods that correspond to his primary needs and constitute the basic conditions for his existence; these goods are absolutely indispensable if he is to feed himself, grow, communicate, associate with others, and attain the highest purposes to which he is called. (Cf. Pius XI, Radio Message of June 1, 1941.)

172. The universal right to use the goods of the earth is based on the principle of the universal destination of goods. **Each person must have access to the level of well-being necessary for his full development. The right to the common use of goods is the "first principle of the whole ethical and social order" and "the characteristic principle of Christian social doctrine."** (John Paul II, Encyclical Letter *Sollicitudo Rei Socialis*, 42.)

For this reason the Church feels bound in duty to specify the nature and characteristics of this principle. It is first of all a natural right, inscribed in human nature, and not merely a positive right connected with changing historical circumstances; moreover it is an "inherent" right. It is innate in individual persons, and has priority with regard to any human intervention concerning goods, to any legal system concerning the same, to any economic or social system or method: "All other rights, whatever they are, including property rights and the right of free trade, must be subordinated to this norm [the universal destination of goods]; they must not hinder it, but must rather expedite its application. It must be considered a serious and urgent social obligation to refer these rights to their original purpose." (Paul VI, Encyclical Letter *Populorum Progressio*, 22.)

Private property

176. By means of work and making use of the gift of intelligence, people are able to exercise dominion over the earth and

make it a fitting home: "In this way, he makes part of the earth his own, precisely the part which he has acquired through work; this is the origin of individual property." (John Paul II, *Centesimus Annus*, 31.)

Private property and other forms of private ownership of goods "assure a person a highly necessary sphere for the exercise of his personal and family autonomy, and ought to be considered as an extension of human freedom... stimulating exercise of responsibility, it constitutes one of the conditions for civil liberty." (*Gaudium et Spes*, 71.)

Private property is an essential element of an authentically social and democratic economic policy, and it is the guarantee of a correct social order. The Church's social doctrine requires that ownership of goods be equally accessible to all, so that all may become, at least in some measure, owners, and it excludes recourse to forms of "common and promiscuous dominion." (Leo XIII, *Rerum Novarum*, 11.)

The heritage of progress

179. **The present historical period has placed at the disposal of society new goods that were completely unknown until recent times. This calls for a fresh reading of the principle of the niversal destination of the goods, the earth, and makes it necessary to extend this principle so that it includes the latest developments brought about by economic and technological progress. The ownership of these new goods — the results of knowledge, technology and know-how — becomes ever more decisive, because "the wealth of the industrialized nations is based much more on this kind of ownership than on natural resources."** (John Paul II, *Centesimus Annus*, 32.)

John Paul II

New technological and scientific knowledge must be placed at the service of mankind's primary needs, gradually increasing humanity's common patrimony. Putting the principle of the universal destination of goods into full effect therefore requires action at the international level and planned programmes on the part of all countries. "It is necessary to break down the barriers and monopolies which leave so many countries on the margins of development, and to provide all individuals and nations with the basic conditions which will enable them to share in development."

For everyone to be a real "capitalist" and to have the access to the production of today's world we need to install the Social Credit philosophy. As we have stated previously in other lessons, the dividend is based on two factors: inheritance of natural resources and inventions of past generations. Pope John Paul II said as much in his Encyclical letter *Laborem Exercens* on Human Work (n. 13).

"Through his work man enters into two inheritances: the inheritance of what is given to the whole of humanity in the resources of nature, and the inheritance of what others have already developed on the basis of those resources, primarily by developing technology, that is to say, by producing a whole collection of increasingly perfect instruments for work. In working, man also "enters into the labor of others."

Poverty amidst plenty

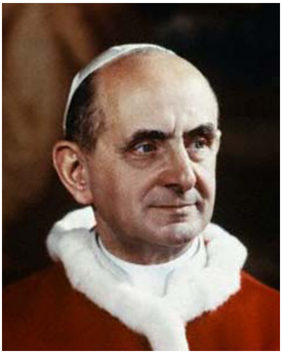
God has given us all of the natural wealth that is needed to feed everyone, but because of lack of purchasing power, the production is not meeting the needs; mountains of our country's wealth is decaying under the gaze of millions of starving people. It truly is the paradox of poverty amidst plenty.

Pope John Paul II said to the fishermen of St. John's in Newfoundland on Sept. 12, 1984:

"It is a cruel paradox that many of you who could be engaged in the production of food are in financial distress here, while at the same time hunger, chronic malnutrition and the threat of starvation afflict millions of people elsewhere in the world."

Pope Paul VI stated at the World Conference of Food in Rome, Nov. 9, 1974:

"No more hunger, hunger never again! Ladies and gentlemen, this objective can be achieved. The threat of starvation and the weight of malnutrition are not an inescapable fate. Nature is not, in this crisis, unfaithful to man. According to a generally accepted opinion, while 50% of cultivable land is not yet developed, a great scandal catches the eye from the huge amount of surplus food that certain countries periodically destroy for lack of a sound economy which could have ensured a useful consumption of this food.



Paul VI

"Here we are broaching the paradox of the present situation: Mankind has an incomparable control over the universe; it possesses instruments capable of exploiting its natural resources at full capacity. Will the owners of these instruments remain paralyzed and stuck in front of the absurdity of a situation where the wealth of the few tolerates the persistent extreme poverty of the many?... We cannot arrive at such a situation without having committed serious errors of orientation, be it sometimes through negligence or omission; it is high time we discovered how the mechanisms are defective, in order to correct, put the whole situation right."

"It is obvious that a fundamental defect, or rather a series of defects, indeed a defective machinery is at the root of contemporary economics and materialistic civilization, which does not allow the human family to break free from such radically unjust situations." (John Paul II, Encyclical *Dives in Misericordia* on Divine Mercy, November 30, 1980, n. 11.)

"So widespread is this phenomenon (poverty amidst plenty) that it brings into question the financial, monetary, production and commercial mechanisms that, resting on various political pressures, support the world economy. These are proving incapable either of remedying the unjust social conditions inherited from the past or of dealing with the urgent challenges and ethical demands of the present... We have before us here a great drama that can leave nobody indifferent." (John Paul II, Encyclical *Redemptor Hominis*, n. 16.)

Reforming the financial system

The Popes have denounced the money dictatorship many times and advocated reform of the financial and economic systems realizing that the economic system must be put at the service of man.

"One must denounce the existence of economic, financial and social mechanisms which, although they are manipulated by people, often function almost automatically, thus accentuating the situation of wealth for some and poverty for the rest." (John Paul II, *Sollicitudo Rei Socialis*, n. 16.)

"I appeal to those in positions of responsibility, and to all

involved, to work together to find appropriate solutions to the problems at hand, including a restructuring of the economy, so that human needs be put before mere financial gain." (John Paul II in Newfoundland, Sept. 12, 1984.)

"An essential condition is to provide the economy with a human meaning and logic. It is necessary to free the various fields of existence from the dominion of subjugating economism. Economic requirements must be put in their right place and a multiform social fabric must be created, which will prevent standardization. No one is dispensed from collaborating in this task... Christians, wherever you are, assume your share of responsibility in this immense effort for the human restructuring of the city. Faith makes it a duty for you." (John Paul II to the workers of Sao Paulo, Brazil, June 3, 1980.)

In his first Encyclical Letter *Deus Caritas Est* (God is Love), Pope Benedict XVI wrote: "In God's family, no one ought to go without the necessities of life... The aim of a just social order is to guarantee to each person, according to the principle of subsidiarity, his share of the community's goods."

The principle of subsidiarity

One of the most interesting principles of the social doctrine of the Church is subsidiarity, which acknowledges that higher levels of government must not do what families and lesser associations, that are closer to the individual can do. This is in complete contrast to centralization and world government. Governments should exsist to help families and other groups or organizations and not to destroy them. The *Compendium of the Social Doctrine of the Church* states:

185. Subsidiarity is among the most constant and characteristic directives of the Church's social doctrine, and has been present

since the first great social encyclical. (Cf. Leo XIII, Encyclical Letter *Rerum Novarum*, 11.) It is impossible to promote the dignity of the person without showing concern for the family, groups, associations, local territorial realities; in short, for that aggregate of economic, social, cultural, sports-oriented, recreational, professional and political expressions to which people spontaneously give life and which make it possible for them to achieve effective social growth.

This is the realm of civil society, understood as the sum of the relationships between individuals and intermediate social groupings, which are the first relationships to arise and which come about thanks to "the creative subjectivity of the citizen." This network of relationships strengthens the social fabric and constitutes the basis of a true community of persons, making possible the recognition of higher forms of social activity.

186. **The necessity of defending and promoting the original expressions of social life is emphasized by the Church in the Encyclical *Quadragesimo Anno*, (written by Pope Pius XI in 1931) in which the principle of subsidiarity is indicated as a most important principle of "social philosophy". "Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice, and at the same time a grave evil and disturbance of right order, to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the social body, and never destroy and absorb them."**

On the basis of this principle, all societies of a superior order must adopt attitudes of help ("subsidium") — therefore of support, promotion, development — with respect to lower-order societies. In this way, intermediate social entities can properly perform the functions that fall to them without being required to hand them over unjustly to other social entities of a higher level, by which they would end up being absorbed and substituted, in the end seeing themselves denied their dignity and essential place.

Subsidiarity, understood in the positive sense as economic, institutional or juridical assistance offered to lesser social entities, entails a corresponding series of negative implications that require the State to refrain from anything that would de facto restrict the existential space of the smaller essential cells of society. Their initiative, freedom and responsibility must not be supplanted.

187. The principle of subsidiarity protects people from abuses by higher-level social authority, and calls on these same authorities to help individuals and intermediate groups to fulfil their duties. This principle is imperative because every person, family and intermediate group has something original to offer to the community. Experience shows that the denial of subsidiarity, or its limitation in the name of an alleged democratization or equality of all members of society, limits and sometimes even destroys the spirit of freedom and initiative. The principle of subsidiarity is opposed to certain forms of centralization, bureaucratization, and welfare assistance, and to the unjustified and excessive presence of the State in public mechanisms.

The "Welfare State"

As Louis Even (the founder of the "Michael" Journal) wrote: **"Because Caesar (the State) does not correct the financial system which only he can do, he then goes beyond his proper role and accumulates new functions, using them as a pretext for levying new taxes — sometimes ruinous ones — on citizens and families. Caesar thus becomes the tool of a financial dictatorship that he should destroy, and the oppressor of citizens and families that he should protect."**

These new functions create a burdensome bureaucracy that harasses people instead of serving them. Pope John Paul II wrote in his Encyclical Letter *Centesimus Annus* (n. 48):

"In recent years the range of such intervention (of the State) has vastly expanded, to the point of creating a new type of State, the so-called `Welfare State'. This has happened in some countries in order to respond better to many needs and demands, by remedying forms of poverty and deprivation unworthy of the human person. However, excesses and abuses, especially in recent years, have provoked very harsh criticisms of the Welfare State, dubbed the `Social Assistance State'. Malfunctions and defects in the Social Assistance State are the result of an inadequate understanding of the tasks proper to the State.

"Here again the principle of subsidiarity must be respected: a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.

"By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending."

Most of the taxes today are unjust and useless and could be eliminated in a Social Credit system. Debt service only exsists because of corruption — the interest charges the nation has to pay every year on its national debt, for having borrowed at interest from private bankers money that the State could create itself, but without interest.

The *Compendium of the social doctrine of the Church* continues (n. 187):

In order for the principle of subsidiarity to be put into practice, there is a corresponding need for: respect and effective promotion of the human person and the family; ever greater appreciation of associations and intermediate organizations in their fundamental choices and in those that cannot be delegated to or exercised by others; the encouragement of private initiative so that every social entity remains at the service of the common good, each with its own distinctive characteristics; the presence of pluralism in society and due representation of its vital components; safeguarding human rights and the rights of minorities; bringing about bureaucratic and administrative decentralization; striking a balance between the public and private spheres, with the resulting recognition of the social function of the private sphere; appropriate methods for making citizens more responsible in actively "being a part" of the political and social reality of their country.

188. Various circumstances may make it advisable that the State step in to supply certain functions. One may think, for example, of situations in which it is necessary for the State itself to stimulate the economy because it is impossible for civil society to support initiatives on its own. One may also envision the reality of serious social imbalance or injustice where only the intervention of the public authority can create conditions of greater equality, justice and peace.

To correct the financial system is certainly one of the duties of the State, in other words that money be created by society, and not by private bankers for their own profit, as we have said in previous lessons. As Pope Pius XI wrote in his Encyclical *Quadragesimo Anno*:

"There are certain categories of goods for which one can maintain with reason that they must be reserved to the community when they come to confer such an economic power that it cannot, without danger to the common good, be left to the care of private individuals."

Families first

This principle of subsidiarity means families are in effect the first cell of society and they come before the State, so governments must not destroy families and the authority of parents. As the Church says, children belong to their parents and not to the State:

"Hence we have the family, the `society' of a man's house — a society very small, one must admit, but none the less a true society, and one older than any State. Consequently, it has rights and duties peculiar to itself which are quite independent of the State...

"The contention, then, that the civil government should at its option intrude into and exercise intimate control over the family and the household is a great and pernicious error... Paternal authority can be neither abolished nor absorbed by the State... The socialists, therefore, in setting aside the parent and setting up a State supervision, act against natural justice, and destroy the structure of the home." (Leo XIII, *Rerum Novarum*, nn. 12-14.)

A salary to housewives

As a matter of fact, in its social doctrine, the Church also stresses the importance of recognizing the work of the mothers in the home, by giving them an income. This would be perfectly accomplished by the Social Credit dividend:

"Experience confirms that there must be a social re-evaluation of the mother's role, of the toil connected with it, and of the need that children have for care, love and affection in order that they may develop into responsible, morally and religiously mature and psychologically stable persons. It will redound to the credit of society to make it possible for a mother — without inhibiting her freedom, without psychological or practical discrimination, and without penalizing her as compared with other women — to devote herself to taking care of her children and educating them in accordance with their needs, which vary with age. Having to abandon these tasks in order to take up paid work outside the

home is wrong from the point of view of the good of society and of the family when it contradicts or hinders these primary goals of the mission of a mother.” (John Paul II, Encyclical *Laborem Exercens*, n. 19.)

“It is an intolerable abuse, and to be abolished at all cost, for mothers on account of the father’s low wage to be forced to engage in gainful occupations outside the home to the neglect of their proper cares and duties, especially the training of children.” (Pius XI, Encyclical *Quadragesimo Anno*, n. 71.)

In October 1983, the Holy See issued the “Charter of the Rights of the Family” in which it called for **“the remuneration of the work in the home of one of the parents; it should be such that mothers will not be obliged to work outside the home to the detriment of family life and especially of the education of the children. The work of the mother in the home must be recognized and respected because of its value for the family and for society.” (**Article 10.)

The principle of solidarity

Solidarity is another word for the love of neighbour. As Christians, we must care about the fate of all our brothers and sisters in Christ, for it is on this love of our neighbour that we will be judged at the end of our lives on this earth:

It is by what they have done for the poor that Jesus Christ will recognize His chosen ones... the poor remain entrusted to us, and it is this responsibility upon which we shall be judged at the end of time (cf. Mt 25:31-46): **“Our Lord warns us that we shall be separated from Him if we fail to meet the serious needs of the poor and the little ones who are His brethren.”** (Quote from the Compendium of the social doctrine of the Church, n. 183.)

The Compendium continues with:

192. Solidarity highlights in a particular way the intrinsic social nature of the human person, the equality of all in dignity and rights, and the common path of individuals and peoples towards an ever committed unity. Never before has there been such a widespread awareness of the bond of interdependence between individuals and peoples, which is found at every level. The very rapid expansion in ways and means of communication “in real time”, such as those offered by information technology, the extraordinary advances in computer technology, the increased volume of commerce and information exchange all bear witness to the fact that, for the first time since the beginning of human history, it is now possible — at

least technically — to establish relationships between people who are separated by great distances and are unknown to each other.

In the presence of the phenomenon of interdependence and its constant expansion, however, there persist in every part of the world stark inequalities between developed and developing countries, inequalities stoked also by various forms of exploitation, oppression and corruption that have a negative influence on the internal and international life of many States. The acceleration of interdependence between persons and peoples needs to be accompanied by equally intense efforts on the ethical-social plane, in order to avoid the dangerous consequences of perpetrating injustice on a global scale. This would have very negative repercussions even in the very countries that are presently more advantaged.

The duty of every Christian

It is therefore a duty and obligation for every Christian to work for the establishment of justice and of a better economic system:

"Anyone wishing to renounce the difficult yet noble task of improving the lot of man in his totality, and of all people, with the excuse that the struggle is difficult and that constant effort is required, or simply because of the experience of defeat and the need to begin again, that person would be betraying the will of God the Creator." (John Paul II, *Sollicitudo Rei Socialis*, n. 30.)

"Such a task is not an impossible one. The principle of solidarity, in a wide sense, must inspire the effective search for appropriate institutions and mechanisms... This difficult road of the indispensable transformations of the structures of economic life is one on which it will not be easy to go forward without the intervention of a true conversion of mind, will and heart. The task requires resolute commitments by individuals and peoples that are free and linked in solidarity." (John Paul II, Encyclical *Redemptor Hominis*, n. 16.)

There are, of course, many ways to help our brothers in need: feeding the hungry, giving drink to the thirsty, sheltering the homeless, visiting the imprisoned and the sick, etc. Some people send donations to charitable organizations, either to help the poor of our country or of the Third World. But even though these donations can relieve a few poor people for a few days or weeks, they are not able to correct the cause of poverty.

What would be much more efficient would be to correct the problem at its roots, to attack the very causes of poverty, and to reestablish for every human being, his rights and dignity that belongs to a person created in the image of God, and who is entitled to a minimum of earthly goods:

"More than any other, the individual who is animated by true charity labors skillfully to discover the causes of misery, to find the means to combat it, and to overcome it resolutely. A creator of peace, he will follow his path, lighting the lamps of joy and playing their brilliance and loveliness on the hearts of men across the surface of the globe, leading them to recognize, across all frontiers, the faces of their brothers, the faces of their friends." (Paul VI, Encyclical *Populorum Progressio*, n. 75.)

What is needed is apostles to educate the population on the social doctrine of the Church, and the practical application of it, such as the Social Credit financial proposals. Pope Paul VI wrote, also in *Populorum Progressio* (n. 86):

"All of you who have heard the appeal of suffering peoples, all of you who are working to answer their cries, you are the apostles of a development which is good and genuine, which is not wealth that is self-centered and sought for its own sake, but rather an economy which is put at the service of man, the bread which is daily distributed to all, as a source of brotherhood and a sign of providence."

And in his Encyclical *Sollicitudo Rei Socialis*, Pope John Paul II wrote (n. 38.):

"These attitudes and 'structures of sin' (the thirst for money and power) are only conquered — presupposing the help of divine grace — by a diametrically opposed attitude: a commitment to the good of one's neighbour..."

Principles and implementation

Some will say that the Popes never publicly approved Social Credit. But in fact, the Popes leave the faithful free to apply the system that would implement principles at the service of the human person, as the Popes have taught throughout the years, in the best way possible.

To our knowledge, no other solution than Social Credit would apply the social doctrine of the Church in a way that is truly Christian. That is why Louis Even, a great Catholic gifted with an extraordinarily logical mind did not hesitate to bring out the connection between Social Credit and the Church's social doctrine.

Another one who was convinced that Social Credit is applied Christianity, that it would apply wonderfully the Church's teachings on social justice, is Father Peter Coffey, who had a doctorate in Philosophy and who was professor at Maynooth College, Ireland. He wrote the following to a Canadian Jesuit, Father Richard, in March, 1932:

"The difficulties raised by your questions can be met only by the reform of the financial system of capitalism along the lines suggested by Major Douglas and the Social Credit school of credit reform. It is the accepted financing system that is at the root of the evils of capitalism. The accuracy of the analysis carried out by Douglas has never been refuted. I believe that, with their famous price-regulation formula, the Douglas reform proposals are the only reform that will go to the root of the evil..."

A study by nine theologians

As soon as C. H. Douglas published his first writings on Social Credit, the Financiers did everything they could to silence or distort Douglas's doctrine, for they knew that Social Credit would put an end to their control over the creation of money. When Louis Even began spreading Social Credit in French around Canada in 1935, one of the accusations used by the Financiers was that Social Credit was Socialism, or Communism.

But in 1939 the Roman Catholic Bishops of the Province of Quebec appointed nine theologians to examine the Social Credit system in the eyes of the social doctrine of the Catholic Church, and give an opinion as to whether it was tainted with Socialism or Communism. After considerable deliberation, the nine theologians found that there was nothing in the Social Credit doctrine contrary to the teachings of the Church, and that any Catholic was free to support it without danger.

Here are excerpts from this study of the theologians on the Social Credit monetary system:

1. The Commission first delimited the field of its study.

(a) There is no question here of the economic or political aspect, that is to say, of the value of this theory from the economic viewpoint, and of the practical application of the Social Credit system in a country. The members of the Commission recognize they do not have any competence in these fields; besides, the Church does not have to pronounce herself in favour or against matters "for which she has neither the equipment nor the mission", as Pope

Pius XI wrote. (Cf. Encyclical *Quadragesimo Anno*.)

(b) There is no question here either of approving this doctrine on behalf of the Church, since the Church "has never, on the social and economic field, presented any specific technical system, which besides is not her role." (Cf. Encyclical *Divini Redemptoris,* n. 34.)

(c) The only question studied here is the following: Is the Social Credit doctrine, in its basic principles, tainted with the Socialism and Communism condemned by the Catholic Church? And if so, should this doctrine be regarded by Catholics as a doctrine that cannot be admitted and spread?

(d) The State, as is mentioned in the present report, is considered in abstracto, regardless of the contingencies it may entail.

2. The Commission defines Socialism, and notes what characterizes this doctrine in the light of *Quadragesimo Anno*: materialism; class struggle; suppression of private property; control of economic life by the State, in defiance of freedom and personal initiative.

3. The Commission then worded in propositions the basic principles of Social Credit.

"The aim of the Social Credit monetary doctrine is to give to all and each member of society freedom and economic security which the economic and social organism can secure. To that end, instead of reducing production to the level of purchasing power through the destruction of goods or restrictions on work, Social Credit wants to increase purchasing power to the level of the productive capacity of goods."

It proposes to that end:

I. The State must take back the control of the issuance of money and credit. It will exercise it through an independent commission possessing the authority required for this purpose.

II. The material resources of the nation, represented by production, constitute the base of money and credit.

III. At any time, the issue of money and credit must be based on the movement of production, in such a way that a sound balance is constantly kept between production and consumption. This balance is ensured, at least partly, through a discount, the rate of which would necessarily vary with the fluctuations of production.

IV. The present economic system, thanks to the many discoveries and inventions that favour it, produces an unexpected abundance of goods, while at the same time reducing the need for human labour, therefore creating permanent unemployment. An important part of the population is thus deprived of any power to purchase goods made for it, and not only for a few individuals or groups. So that all may have a share of the cultural inheritance bequeathed by their forefathers, Social Credit proposes a dividend, of which the amount is determined by the quantity of goods to be consumed. This dividend will be given to every citizen, whether he has other sources of income or not.

4. Now, we must see if there is any taint of Socialism in the propositions mentioned above.

Concerning Paragraph I: This proposition does not seem to include any Socialist principle, nor consequently be contrary to the social doctrine of the Church. This affirmation is based on the following passages of the Encyclical Letter *Quadragesimo Anno*:

"There are certain categories of goods for which one can maintain with reason that they must be reserved to the collectivity when they come to confer such an economic power that it cannot, without danger to the common good, be left to the care of private individuals."

Pius XI

And the Encyclical (of Pope Pius XI) goes on: **"In the first place, then, it is patent that in our days not alone is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few, and that those few are frequently not the owners, but only the trustees and directors of invested funds, who administer them at their good pleasure.**

"This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying, so to speak, the lifeblood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will."

To want to change such a situation is therefore not contrary to the social doctrine of the Church. It is true though that by entrusting to the State the control of money and credit, the State is given considerable influence over the economic life of the nation, an influence equal to that presently exercised by the banks, for their own profit, but this way of doing things does not entail, in itself, any Socialism.

Money being, in the Social Credit system, only a means of exchange, of which the issuance is strictly regulated by the statistics of production, private property therefore remains intact; moreover, the allotment of money and credit could even perhaps be less determined by those who control it. To reserve for the community (the control of) money and credit is therefore not against the social doctrine of the Church.

Saint Thomas Aquinas says it implicitly, in his *Summa Theologica* (*Ethica*, Volume 5, Lesson 4), when he asserts that it belongs to distributive justice — which, as is known, is the business of the State — to distribute common goods, including money, to all those who are part of the civil community.

In fact, money and credit have been, in the past, under the control of the State in several countries, including the Pontifical States; and they are still so in the Vatican. So it would be difficult to see in this proposition a Socialist principle.

Concerning Paragraph II: The fact that money and credit are based on production, on national material resources, seems to entail no Socialist character. The base of money is a purely conventional and technical matter.

In the present discussion, this point is agreed to in principle by several opponents.

Concerning Paragraph III: The principle of a balance to be kept between production and consumption is sound. In a truly humane and well-ordered economy, the aim of production is consumption, and the latter must ordinarily use up the former — at least when production is made, as it should be, to answer human needs.

As for the discount, of which the principle is admitted and even currently practised in industry and trade, it is only a means to realize this balance; it allows the consumers to get the goods they need at a lower cost, without any loss for the producers.

Note that the Commission does not express an opinion on the necessity of a discount caused by a gap which, according to the Social Credit system, exists between production and consumption. But if such a gap does exist, to want to fill it through a discount cannot be considered as a measure tainted with Socialism.

Concerning Paragraph IV: The principle of the dividend is also reconcilable with the social doctrine of the Church; besides, it can be compared to the State's power to grant money. The Commission does not see why it would be necessary for the State to own capital goods to pay this dividend; presently — although in an opposite sense — the power to tax, which the State possesses in view of the common good, entails this note even more so, and yet it is admitted. The same affirmation applies to the Social Credit discount: both are based on the principle of the discount in a cooperative system. Besides, cooperation is held in high esteem in Social Credit.

The only control of production and consumption that is necessary for the implementation of Social Credit is the control of statistics, which determines the issue of money and credit. Statistics cannot be considered as a real control or a constraint upon individual freedom; it is only a method of collecting information. The Commission cannot admit that statistical control requires the socialization of production, or that it is tainted with Socialism or Communism.

The Commission therefore answers in the negative to the question: "Is Social Credit tainted with Socialism?" The Commission cannot see how the basic principles of the Social Credit system, as explained above, could be condemned on behalf of the Church and of her social doctrine.

The Financiers were not pleased with this report of the theologians and in 1950 a group of businessmen asked a bishop, Most Rev. Albertus Martin of Nicolet, Quebec, to go to Rome and obtain from Pope Pius XII a condemnation of Social Credit. Once back to Quebec, the Bishop said to the businessmen: **"If you want to get a condemnation of Social Credit, it is not to Rome that you must go. Pius XII said to me: 'Social Credit would create, in the world, a climate that would allow the blossoming of family and Christianity'."**

We need Heaven's help

Divine assistance is especially needed in this fight for a just financial system based on Christian principles, when we know that the real goal of the Financiers is the establishment of a world government that has the objective of the destruction of Christianity and the family, and that the promoters of this "New World Order" are actually led by Satan himself, whose sole aim is the ruin of souls. Back in 1946, C.H. Douglas wrote the following in the Liverpool periodical *The Social Crediter*:

"We are engaged in a battle for Christianity. And it is surprising to see in how many ways this is true in practice. One of these ways goes almost unnoticed — except in its deviations — the emphasis put by the Roman Catholic Church on the family, against the implacable and continuous effort of the Communists and Socialists — who, together with the International Financiers, form the true body of the Antichrist — to destroy the very idea of the family and substitute the State for it."

And Louis Even wrote on the same subject, in 1973:

"Yes, the Pilgrims of St. Michael are patriots, and they wish, as much as anyone else, a regime of order and justice, of peace, of bread and of joy, for every family in their country. But since they are Catholics too, they know very well that order, peace and joy are incompatible with the rejection of God, the violation of His Commandments, the denial of faith, the paganization of life, the scandals given to children in schools where the parents are by law constrained to send them.

Louis Even

"The Pilgrims of St. Michael, relying on the help of the celestial powers, swore to use all of the physical and moral forces, all of the propaganda and educational tools they have, to replace the Kingdom of Satan by the Kingdom of the Immaculate and Jesus Christ.

"In an engagement against the financial dictatorship, we do not deal only with terrestrial powers. The Communist dictatorship and the powerful organization of Freemasonry, as well as, the financial dictatorship are under the command of Satan. Simple human weapons will never be able to overcome that power. What is needed are the weapons chosen and recommended by She who vanquishes all heresies, She who must definitely crush the head of Satan, She who declared Herself, at Fatima, that Her Immaculate Heart will triumph in the end. And these weapons are: the consecration to Her Immaculate Heart marked by the Scapular, Rosary, and penance.

"The Pilgrims of St. Michael are assured that by embracing Mary's program, every act they perform, every 'Hail Mary' they

address to the Queen of the World and every sacrifice they offer up, not only contribute to their personal sanctification but also to the coming of a sounder, more humane and more Christian social order with Social Credit. In such a program received from Mary everything counts and nothing is lost."

To conclude, the battle of the Michael Journal and the Louis Even Institute is a battle for the salvation of souls. The Pilgrims of St. Michael ask for what the Pope and the Church demand: a new evangelization — to remind Christians of the basic Christian principles that they forget or cease to practice — and a restructuring of the economic system.

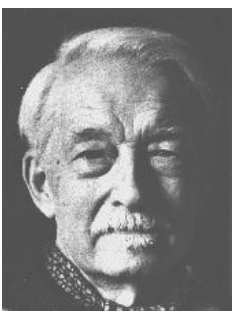
To be a Pilgrim of St. Michael is then one of the most urgent and necessary vocations of our times. Who among those of us who read these words will have the grace and inspiration from Heaven to respond to the call to discipleship? How great and important is the promotion of the social doctrine of the Church through the work of Louis Even! All who thirst for justice should pray for the gift of understanding so they will realize the importance of learning and spreading Social Credit by soliciting subscriptions to the Michael Journal and informing those around them of the urgency of this work!

Appendix
The last text of Jacques Maritain

Jacques Maritain and Paul VI

Jacques Maritain, whom Louis Even quoted several times in his articles, is a French philosopher who died in 1973, at the age of 91, and who specialized in the study of the writings of Saint Thomas Aquinas, and their implementation in today's society. Having authored many books, he was held in high esteem in ecclesiastical circles — Pope Paul VI had even chosen him to represent men of science at the closing ceremony of the Second Vatican Council in 1966.

The night before his death, April 29, 1973, he finished writing a text aimed at summarizing all of his thoughts on the topic that he considered the most important for today's society. What is very interesting for the members of the Louis Even Institute and those who are sympathetic to the Social Credit idea, is that this topic was money, and especially the denunciation of money lending at interest, which creates unpayable debts.



In his text, Maritain speaks of a society where the State would create "tokens" to represent money, and these tokens would be issued as much as needed to be used by every citizen: "Each citizen would receive enough tokens to allow every individual to live comfortably, with the guarantee of a standard of living that is high enough to enjoy an existence worthy of a human being, and cover the basic needs (shelter, clothing, food, medical care, etc.) of a family, and its intellectual life. It goes without saying that all taxes to be paid to the State would disappear in this new system."

Without having all of their technique and perfection, it is close to the Social Credit principles of C. H. Douglas and Louis Even. But what we want to stress here is Chapter 5 of this text of Maritain, that condemns straightforwardly money lending at interest, recalling the centuries-old teaching of the Church that usury consists of any in-

terest that is exacted by the lender from the borrower solely as the price of the loan. Here is this chapter:

In our society every kind of loan at interest would lose its reason for being, since the State would supply on demand, to anyone who wants to start a business or an institution, all the tokens he needs

It is since the 16th century, when it carried the day legally, that lending at interest took for the present civilization an absolutely decisive importance, so it is this practice of money lending at interest in the present days that I have in mind with the following thoughts, without forgetting that the whole story of money lending is highly revealing. In fact, this story is the most humiliating one that can be found in human affairs. For while the human spirit condemned this practice on behalf of the truth and of the nature of things, it made its way into our practical behavior, and finally established its authority in accordance with our material needs taken as an end in itself, but separated from the total good of the human person.

As a result, our field of action was split in two parts, and now we imagine that the business world consitutes a separated world, with its own absolute values, being independent from the superior values and standards that make life worthy of man

The truth about money lending is told by Aristotle, in a decisive way, when he declares false and pernicious the idea of the fecundity of money, and asserts that, of all social activities, the worst is that of the money lender, which forces money — a thing that is naturally sterile — to produce gains, whereas the sole property of money is to be used as a unit of measurement of things.

To use the money one owns to support one's life, to satisfy one's desires, or to get new goods by spending it, to improve our existence, is normal and good. But to use money to make breed more money, as though money was fecund, and yield interest (in Greek, it was called the "offspring of money"), is, of all the means of getting richer, the "most contrary to nature", and can only take place by exploiting the work of other people. One is therefore perfectly right to hate money lending at interest..

The Church, in her pure doctrinal teaching, condemned lending money at interest as firmly as Aristotle did. For a long time, civil legislation was in keeping with the teaching of the Church, and said that any loan must be free. All those (and they were many) who infringed this law were punished.

It was not long before the middle of the 17th century that civil law broke away from the doctrinal teaching of the Church, thus allowing the business world to consider as normal and legitimate the practice of lending money at interest. But the pure doctrinal teaching of the Church, that condemned purely and simply money-lending at interest, was still there

It is much to the credit of the Papacy that, at a time when the market civilization, which had begun in the 12th century, was triumphant, Pope Benedict XIV published in 1745 the famous encyclical letter Vix Pervenit, which prohibited money lending at interest, saying that it is a sin to admit that in a loan, the lender must receive more than the sum he lent.

And later, when 19th-century capitalism flourished, Pope Leo XIII denounced, in his encyclical letter Rerum Novarum, “rapacious usury” as being a scourge of the present economic system.

But the business world could not care less about the Church’s prohibitions, and in modern times, money-lending at interest eventually imposed itself with irresistible force, and it has become the esential sinews, the motor nerve of the present economic system, which cannot exist without it

To think that money can breed money is just an illusion. Money is not fertile… Once the principle of money lending at interest is accepted, even if theoretical studies and essays are accumulated to remedy all of its vices, they will never succeed, because the whole system is based on a false principle, that of the fecundity of money.

Jacques Maritain

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