

## "Social Environment Implications of Social Credit Proposals for Income Supplementation"

by Robert Klinck

It is peculiar that discussion of governmental policy frequently proceeds with hardly a nod to the most clamant fact in the world of economics, namely the massive, and burgeoning, financial debt that hangs like the sword of Damocles over human society. The dimensions of this debt, which is growing at an exponential rate, have been calculated variously by different organizations applying themselves to its study. One such organization, the Institute of International Finance, has calculated total global debt at the end of 2016 to be \$217 trillion, having risen by something approaching a quarter of this sum over just the previous decade. Even more shocking than these numbers is the fact that the aggregate debt is reckoned to be more than three times globally aggregated GDPs.

While some analysts downplay the significance of such numbers, the plain fact is that there is an immense lien incumbent against future human endeavours. Repayment of principal and carrying charges will be withdrawn from future revenues of the members of society, either directly by financial institutions or via taxes collected by governments and prices set by corporations.

That human economic activity has resulted in rampantly burgeoning debt, touching every aspect of our human environment, seems to indicate the existence of a drastic flaw somewhere, an imbalance in the system whereby financial means are not accomplishing their natural purpose of meeting financial needs.

In his Romanes Lecture at Oxford University in 1930 Winston Churchill pointed to one such flagrant imbalance in the economy, which he actually designated as the, not an, economic problem of the time, when he said: "The classical doctrines of economics...clearly...do not correspond to what is going on now... ..the root problem of modern world economics [is] the strange discordance between the consuming and producing power.... Who would have thought that it would be easier to produce by toil and skill all the most necessary or desirable commodities than it is to find consumers for them? Who would have thought that cheap and abundant supplies of all the basic commodities should find the science and civilisation of the world unable to utilise them? Have all our triumphs of research and organisation bequeathed us only a new punishment—the Curse of Plenty? Are we really to believe that no better adjustment can be made between supply and demand? Yet the fact remains that every attempt has so far failed."

Being a key participant in the conduct of two world wars, Churchill unquestionably had a lucid appreciation of the producing power of modern economies.

Churchill's focus on the disparity between producing and consuming capacities almost certainly derived from the attention that from the end of World War I was being directed to the phenomenon by mechanical engineer C.H Douglas and his followers in what came to be known as the Social Credit movement. More or less accidentally, Douglas had discovered through cost accountancy analysis that under existing practices price generation is out of sync with distribution of the means of price liquidation. He subsequently demonstrated how this phenomenon causes gross distortions in the economy as attempts are made to contend with the

inherent flaw in the costing system. One of the methods, which is inevitably self-defeating, is filling the deficiency by means of ever larger infusions of financial debt.

Douglas's monetary proposals had as their rationale the repair of this illogical economic disjunction.

Jeremy Rifkin, a prestigious advocate of reformed personal income proposals, can serve as a convenient foil to demonstrate the originality of Douglas's thinking. Rifkin is mired in the puritanism that has dominated and stymied economic policy for centuries. By this I mean simply that he would exploit economic pressure on individuals as a means of imposing his values on them. He would contend with the patent phenomenon of technology rapidly increasing productive capacity while diminishing the need for human involvement in productive processes — which he characterizes as “the end of work” — by providing them with alternative forms of activity in order to justify continuing to give them incomes. To finance his scheme, he proposes centralized revenue-raising measures that would keep government in the driver's seat with respect to policy.

In short, Rifkin is in the camp of orthodox economists who would solve economic problems by means of arbitrary and conditional monetary redistribution. Ignoring the underlying conundrum Churchill addressed of a dramatic disparity between producing and consuming capacities, Rifkin instead approaches the problem of supplying consumer buying power to the economically displaced in a conventional redistributive way on the basis of dubious, because poorly defined, statistics.

However Douglas, by pointing out that you cannot rectify an inherent deficiency by redistributing it, has exposed the fundamental misapprehension underlying all such proposals. Nor, of course, can you effectively overcome a current need for income by mortgaging future income — that is, incurring debt — as this merely postpones the day of reckoning.

It should be noted that Rifkinesque proponents of conventional taxation- and debt-financed basic income schemes tacitly concede the adaptive plenitude that Douglas identified in modern machinery of production, for they assume that once an arbitrary income is provided to the population material goods will automatically be supplied to absorb it.

Douglas recognized the enormous potentialities encompassed by the gap, under orthodox accountancy practices, between productive capacity and consumption capacity, but unlike Rifkin he purposed conferring their benefits unconditionally on all members of society as heirs of a bountiful cultural heritage. In Douglas's words “... the primary requisite is to obtain in the readjustment of the economic and political structure such control of initiative that by its exercise every individual can avail himself of the benefits of science and mechanism; that by their aid he is placed in such a position of advantage, that in common with his fellows he can choose, with increasing freedom and complete independence, whether he will or will not assist in any project which may be placed before him.” In effect, a century ago Douglas was proposing a revolution absolute in the state of human freedom consistent with the acquisition by society of mass production techniques and automation, and, since his death in 1952, of effectively unlimited numbers of robotic slaves. In a startlingly revelatory phrase he said the ultimate aim of Social Credit is to “release reality”, by which I understand he meant freeing individuals from the coils of coercive hierarchical structures and seeing what form society would assume under such an organic condition.

Incidentally, given his bias toward societal planning, it is hardly surprising that Rifkin has been adopted as an authority in China, which under his inspiration is embarking on yet another gigantic Sinese sociological experiment. Designated, ironically from the standpoint of these panellists, by the Chinese government as Social Credit, the experiment involves implementing a system of comprehensive, detailed surveillance and centrally administered rewards and punishments that would have been unrealizable before the Computer Age. Needless to say, it is a system antipodal to the Social Credit objectives espoused by C.H. Douglas.

What is the purpose of the conventional base-level targeted guaranteed income? Purportedly, it is to provide vulnerable individuals with economic security. Alas, there is good reason to believe that over time exactly the opposite result will obtain.

In the first place, when governments are running budgetary deficits, as nearly all are, the financing of a basic income by means of expanding debt entails digging future generations into a deepening hole. In other words, ultimately there will be no net security gain.

Secondly, imposing the original burden of financing a basic income debt expansion on an inevitably shrinking taxation base is certain to exacerbate friction within society between taxpayers and basic income recipients, whose interests evidently conflict. It is hard to see how the ensuing “identity politics” strife will enhance general personal security, economic or otherwise.

In the Social Credit approach, an increasing proportion of personal income would come in the form of unconditional universal dividends drawn from a National Credit Account to fill the inherent deficiency of consumer buying power. Some will question the adequacy of such a dividend scheme to support a reasonable economic existence. The answer is that if we had had such a sane and realistic system, preferably constitutionally established, in place for, say, the past three centuries, then regular dividends flowing to all would by now constitute the bulk of personal income and be regarded as normal. Unfortunately, when it came to adapting to the era of mass production of consumer goods, in our financial arrangements we got off on the wrong foot. Rectification of this disastrous blunder is long overdue.

It is important to recognize the change in the social environment—in all areas of human relations and endeavour—that such a policy would effect.

Knowing that you have a dependable source of income relieves the kind of destructive stress that manifests as psychological harm and disease. The edge would be taken off the desperate, often virtually life or death, aspect of competition for income-providing positions.

Knowing that you have an economic backstop liberates you from participating in economic activity that you judge to be unethical or otherwise harmful.

Having confidence that you will always have the monetary means of survival removes a common motive to commit crimes, including committing suicide, which are notoriously more common during so-called economic slowdowns.

Because a failure in productive efficiency would automatically be reflected in reduced dividend payments, there would be a constant societal incentive to accomplish projects in the soundest, most durable and least cumbersome manner possible.

Since people who have economic clout learn quickly how to exercise it, governments would have to heed the wishes of the economically enfranchised population rather than circumvent them under pressure from corporate and political lobbyists.

People would be able to work for causes in which they believed, without fear of consequently suffering punishment in the form of financial ruin.

Social Harmony would be favoured and divisive identity politics obviated. Importantly, the economic pressure and exaggerated competition for markets that frequently results in war would be relieved.

There would be considerably less waste of human life and fuel sitting in traffic in order to get to all-too-often make-work employment.

As an aside, embittering phenomena such as the #MeToo movement would lose most of their raison-d'être.

In conclusion, I suggest that Douglas Social Credit proposed the original reality-based guaranteed basic income, with important differences from most schemes we hear being advocated and see being trialed today. First, the Social Credit measures would not come at the expense of one component of society for the benefit of another and therefore would not damage social cohesion. Second, although, absent some massive catastrophe, dividend income would be guaranteed, it would be a variable income based on economic reality; that is, not arbitrary but, rather, continuously reflecting changes in the efficiency index of our very capable real economy.