

Basic Income: Halfway there

Written by Eric Walberg Эрик Вальберг/ Уолберг □□□□□ □□□□
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The recent interest in a basic income (BI) parallels the suddenly growing acceptance of marijuana. Could this be more than a coincidence? In the 1920s--30s, the idea of government intervention to regulate the economy was right down there with frivolous use of stimulants as the devil's work.

Before WWI, the pious moralizing in the face of increased drunkenness had even achieved a ban on all alcohol (more or less), which continued (more or less) till 1927 in Canada (in the US 1933). Marijuana was suddenly 'discovered' and was banned in 1923 (in the US 1937), and unlike alcohol, remained that way, though the ban was flouted even as consumption grew rapidly in the heady post-WWII years, when the youth briefly took control of culture, if only in the explosion of energy that the baby boomers brought en masse.

Now, in the space of a few years, since the election of Trudeau jr, both bits of the devil's work are now widely accepted, and government programs are/were tentatively being put together to make them part of our daily lives. This article deals with the basic income campaign and its radical implications for the way we think about the economy. The marijuana trip comes later. But you can bet they are two sides of one coin, marijuana the yin to BI's yang.

What seemed shocking 80 years ago (when lack of "purchasing power"* had brought the economy to a halt, creating a society of starving poor), now, when social security, employment insurance and welfare are institutions and Canada richer than ever, hardly raises an eyebrow, among liberals and lefties, though the concept was first promoted by conservatives, most famously, Nixon.**

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Depression: mother of invention

Ironically, it was 80 years ago when such a policy would have, at a stroke, put food that was being left to rot onto grateful families' tables and turned the country around. But the idea of giving money to poor people was denounced or ridiculed.

Capitalism was built on the gospel of work as salvation, and the working class were kept at starvation levels, necessary, it was assumed, to make them work hard, to produce more, faster. But capitalism has a nasty habit of business cycles, when businesses would fail en masse, throwing workers out of work, creating conditions for revolt.

The logic to keep the system humming was: to keep demand high, the economy should be expanding, growing constantly, creating more and more jobs, stimulating demand so that businesses can keep expanding. A kind of vicious circle of growth -> jobs -> growth

...

But the whole philosophy behind 'hard work is what keeps the ship moving' (and 'weed is evil') is based on a belief that man is basically lazy, lacking self-motivation. This belief is the justification for the system of wage labour, where the game is to create conditions where work is scarce, and competition for jobs keeps workers in line, grateful for mind-numbing jobs to keep hunger at bay. Of course, if work is unpleasant, you want to minimize it! Such a system is threatened by the possibility of opting out, however modestly one must live to do so. (Similarly, dope 'highs' must be minimized or who knows what might result.) But the evidence about man being lazy (or yearning to be zombies) doesn't exist, as experiments in BI (and legalization of dope) have consistently shown.

So what happened? Did the rise of teenage culture, the desire by aging, now

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conservative baby boomers to emulate the hip, pampered youth of today loosen our moral compass? Make laziness and decadence ok?

Perhaps, but there are less ominous, more rational reasons for both.

Economic democracy

The great theorist of basic income is C.D. Douglas, a British engineer, who campaigned at the height of the depression for what sounded crazy or brilliant, and catapulted his otherwise straight-laced followers to the seat of government in Alberta's election of 1935. 'Social credit' parties also elected MPs in Australia and New Zealand.

Douglas concluded that the economic system was organized to maximize profits by the economic elite by creating unnecessary scarcity, which he elaborated in Economic Democracy (1920).***

He revived the medieval concept of Just Price as one which would balance the needs of profit and consumer purchasing power. Profit was important to grease the wheels of industry, but was not the main goal. Neither was maximizing employment. Rather balancing production and consumption, something which, as an engineer, he was able to estimate by a sectoral analysis of the economy. Statistics was the hot new tool for that. (The Soviet Union was inventing this economic model even as it was forging ahead at breakneck speed to catch up with the hostile West.)

His economic theory, the A+B theorem on prices, states that there is a systematic problem in capitalism of increasing prices, or inflation, the result not of "too much money chasing too few goods", but due to insisting on a policy of full employment,

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despite the falling need of labour with new technology. The A and B are a bit convoluted (Douglas the engineer geek), but he saw the forest: there is always a shortfall in demand (B) in a growing economy, with new technology leading to higher production, but not increasing the wage fund, even reducing it if the technology means less physical labour in production.

Douglas the engineer was more interested in producing high quality goods that last forever and don't need to be thrown out for something 'new'. He foresaw that the pressure to keep full employment would lead to planned obsolescence, a throw-away culture that benefited no one, but that kept everyone on the work treadmill, no matter how frivolous the actual work.

Why should workers work so hard with all the 'labour-saving' stuff? Why should there have to be two breadwinners, when there's no need?** The capitalist logic is to use the increased profits to invest in a new model of toasters which are new, improved (and more expensive), then advertise, advertise, advertise. Keep the profits increasing and keep everyone busy, however mindless the work.**

Douglas's answer was not revolution and state planning, but simply to stimulate demand as much as needed to compensate for the lack of employment, and encourage non-monetary life activity instead of demanding full employment at 40 hrs a week producing needless goods. Most people would be glad to have more non-work time. Canadians are the world's largest producers per capita of garbage. Less really can be more.

He called his payment a "Compensated Price" and a "National (or Consumer) Dividend", which would be determined each year by a National Credit Office charged with the task of calculating the size of the rebate and dividend by determining a national balance sheet, and calculating aggregate production and consumption statistics.

In short, to estimate the gap between current production and necessary demand for the

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products, and provide a basic income to all (more or less). He could see the underlying corollary that as technology proceeds, there is less need for labour, and that a BI provides a safety net for what we now call the ‘precariat’, the new lumpen proletariat.

Douglas would no doubt be aghast to know that after almost a century of accelerated industrialization, we are still acting as if we are poor, requiring everyone (men and women) to work 40-hr weeks. Where did all the benefits of all this accumulated investment and production go?

Marx arrived at the same insight in Value, Price and Profit (1865) where he argues that wage increases are not inflationary, pointing out that increasing the minimum wage merely increases the demand for things workers buy, which are only a small part of what the economy produces, where most things are produced for the rich and businesses.

“What an immense amount of the necessaries themselves must be wasted upon flunkeys, horses, cats and so forth” of the rich compared to the basic needs of workers. Wages are only a small part of production costs. Increased demand for workers goods will merely shift production towards them to make the profits.” And it is sheer madness to cut wages in a depression, as this only weakens purchasing power further and exacerbates the problem.

Douglas was conservative politically, an intelligent, humane Red Tory. He promoted both BI and government issued, debt/ interest-free money, but in the interests of preserving bourgeois society. Just without the banker control of the economy.

He addressed a Canadian parliamentary investigation in 1923 under the Mackenzie King administration. He warned that the insane system of debt-based money created by banks as loans made depressions inevitable and that the danger of war loomed as a forced policy of demand-created recovery. He was lampooned, and the federal governments, both Conservative and Liberal outlawed Douglas’s acolyte, Alberta Premier Aberhart, in his attempt to use government-created “funny money” to fill the purchasing power

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void.*****

He was proved right. Without intelligent government policy, was only the huge military spending of WWII that brought an end to the depression and high unemployment. What was that but

***the massive government creation of money (still owned by the banks, so they were happy), *conscription (government sponsored full employment), and**

***new production of weapons to kill (and be killed),**

not for happy consumers, but fearful soldiers and relieved capitalist-bankers. It's ok to go to war to create jobs, but not ok to just not bother with the killing and figure out a way to distribute income and provide jobs, or just leave people to get on with living on a modest income whether they worked at wage labour or not.

Post-'economic democracy'

WWII was not without its problems. There was also the lingering spectre of communist revolution, given the alternative way of organizing society in revolutionary Russia, which stabilized a new model for society by the 1930s where people were hard at work, without money playing much of a role at all, with no wealthy capitalists and bankers calling the shots.

So WWII's 'success' led to the post-WWII welfare state, with lots of government spending

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(thank you, Keynes), but lots of contradictions too. Inflation alternating with depression (now called ‘recession’), environmental decay, social problems galore, bankers ever richer and richer (what DO they do?), and governments with their hands tied. Never straying too far from what the economic elites wanted. Douglas’s radical critique of money and the economy was forgotten.

As the problems reached crisis pointS (especially air pollution by the 1960s), protests mounted and the titans are agreeing to changes.*^ But the economy continues to careen from boom to bust, with the scandals directly traceable to the banks. After all, who creates our money (and thus regulates the economy and labour participation, and is responsible) but the banks?

And why is bank-controlled money creation sacrosanct, despite the power the state has to do this? The Bank of Canada (which should be controlled by the government if it had the backbone) was founded in 1934 with that power, though it was only used to sell the banks banknotes and coins. Trudeau sr cavalierly waived the government’s right to create money under international banker pressure in 1974. Indeed, the right is written into the US constitution (sort of), and Lincoln and JFK both created greenbacks -- until they were mysteriously assassinated.*^^ Warning: Don’t step on bankers’ toes.

The issue will not go away. Already, thinking people are pursuing a way out:

***The US has one state bank, in North Dakota, founded in 1919 by the populist Non-Partisan League government, which does not indulge in debt-money creation, keeping 100% reserves and servicing primarily its local clients. Many other states look at North Dakota longingly, but it’s not 1919 anymore.**

***3 states in Australia have state banks, though without government backbone to corral the private banks, none of these state banks there or in the US have much clout.**

***In the US, the American Monetary Institute works tirelessly, with a few congressional**

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supporters such as Dennis Kucinich.*^^^

***The Canadian Committee on Monetary and Economic Reform (*comer.org*) was founded in 1980. In 2011, COMER brought a lawsuit against the Canadian Government, claiming that the Bank of Canada is mandated under the Bank of Canada Act to provide debt-free support for public projects undertaken by federal, provincial and city governments. Its suit and appeals were quickly dismissed without explanation.**

***The Canadian Action Party, founded by Paul Hellyer was founded in 1997, but petered out.**

***PositiveMoney (*positivemoney.org*) is a British ngo founded in 2010 promoting a fairer money and banking system.**

***British Labour Party leader Jeremy Corbyn has government issued money in his platform to provide jobs and public investments.**

The need has never been more pressing. It's now or never, or rather now and inevitable, so let's get moving.

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***coined in the 1930s.**

****Federal Tory Finance Critic, Pierre Poilievre, while dismissing the Ontario Liberal pilot as a model of hopeless generosity toward the poor, vigorously defends basic income as part of the arsenal of the right. Citing the writings of Milton Friedman, Poilievre advocates “a tiny survival stipend for all low-income people” paid for by “eliminating all other programs, including housing, drug plans, child care and the bureaucrats who**

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administer it all.”

*****Largely forgotten, while Keynes’s (unreadable) *General Theory of Employment, Interest and Money* (1936) is fawned over, though it is in fact a confidence trick, a sop to the banks.**

******Shades of communism?**

*******More dark communist forces?**

***^or not, as in the case of Trump’s assault on environmental programs and Ontario Premier Doug Ford’s cancellation of both the BI pilot and the carbon tax.**

***^^President James Garfield was on to the banks and intended to emulate Lincoln until he was assassinated in 1881 after only 8 months in office.**

***^^^In 2018, former Congressman Dennis Kucinich renewed his call for the Federal government to reclaim control of the nation’s monetary system, the National Emergency Employment Defense Act (NEED), a bill he originally proposed in 2011.**

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