

Financing Ontario's Basic Income Pilot using the Economic Reform Principles of Social Credit

The Louis Even Institute for Social Justice

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This presentation will discuss financing a Universal Basic Income for the people of Ontario and Canada, not with government borrowing and not with taxation, but by applying Social Credit monetary reform principles.

Last year, Ontario launched a Basic Income pilot project in several communities. The province has a population of 14 million people and appears to be productive with a GDP in 2015 of \$763 billion but with household incomes at only \$512 billion, leaving a shortfall of \$251 billion. Statistics show that imports and exports were about equivalent. Our analysis, therefore, is that there is not enough money in the province to purchase its ample production.

What is the goal of the Ontario pilot? Geared to low wage individuals and families who earn less than a threshold amount, the pilot, using a negative income tax model, aims to provide a safety net for participants with the goal of "reducing poverty in a sustainable way".

There are three objectives: to support vulnerable workers, improve health and education outcomes for people living on low incomes and help ensure everyone can access a share in Ontario's economic growth.

Can Ontario pay a basic income to all its population? If \$1,500 per month was issued to each citizen the cost to the government would be \$250 Billion. If that amount was issued to each Canadian the cost would be astronomical. Even with offset savings from collapsing Ontario's social assistance programs with a more easily administered universal program, can we afford to borrow more money, increase Ontario's debt and raise taxes?

Provincial and federal economic growth indicators are not promising. Even though we are told the economy is doing well, the real economy is not. Investment is collapsing, there is a declining workforce participation rate, homelessness is a reality, there are more food banks, fewer jobs and more children living in poverty than ever before. People are working more hours to make ends meet and minimum wage hikes have not managed to solve the problems of poverty. Rather, the gap between the haves and have-nots has widened. We presume the only solution is the redistribution of wealth from the rich if there is to be relief for the poor. However, Social Credit monetary reform offers, not a bandaid, but a solution.

Already, Ontario is the most indebted sub-national jurisdiction in North America. Canadians had the dubious distinction of being the most indebted on the planet in the last quarter of 2017 with a debt to income ratio of 171%. Fifty million dollars is added to Canada's federal debt each day.

The U.S. federal debt has more than doubled in the last 10 years, increasing from \$9.4 trillion to \$21 trillion. U.S. credit card debt alone is almost \$1 trillion.

Yet, stores are full, there are no shortages of goods and low interest rates keep us borrowing money to create the illusion that we are staying afloat. However, without massive borrowing to fill that gap of \$251 billion, or with the inevitable increase in interest rates, we would see significant social and financial hardship in Ontario. Even when modern economies can provide all the goods and services that are required, we do not have all the money needed to access those very same goods and services and thus meet the needs of our population.

With the advance of technology and the robotic revolution, modern economies produce more goods with less labour. There is an inevitable reduction in the opportunity, need or obligation to work; if only the pesky problem of circulating sufficient purchasing power, or money, could be solved!

Can the Basic Income scheme, using the Ontario model, work to meet its objectives? Not under the present financial system.

Consider that today, credit and purchasing power is controlled by privately owned corporations, known as banks. These private businesses have a monopoly over the money supply by creating virtually all money in existence in the form of debt and by controlling how much credit is issued and to whom. Banks manufacture money out of thin air, lend it to governments, corporations and individuals and charge us interest (which banks do not create). So indebtedness can never be repaid. An example of the conundrum of repaying debt is the U.S. economy: the GDP is \$19 trillion but the debt is \$21 trillion. There is simply not enough money to get out of debt in the U.S.; this is true for Canada and this province and in virtually all modern economies. Banks lend money into existence. When a borrower repays a loan, the money is taken out of circulation and ceases to be available to use in the economy. More bank loans must be issued perpetually or we will see economic collapse. Indeed, economic collapse is a mathematical certainty.

Why should banks control the vast bulk of the money supply? Why should a private corporation have this power and control over all of society? The present system is unfair and unsustainable. Fortunately, Social Credit presents a solution.

Society should own and manage its supply of money. Money is a type of public utility, as essential to survival as is water, gas and electricity and must be managed by society as are other basic utilities. It must not be kept artificially scarce. It must be available as needed to meet the needs of individuals and communities.

The real goal of economic activity is the satisfaction of human needs for goods and services with a maximum level of efficiency and a minimum of fuss. Jobs and economic growth are not the real goals of economic life. Since meeting the public's needs cannot be facilitated by

earned incomes alone, particularly as jobs decrease, society must assist by creating and directly issuing money to its population.

About one hundred years ago, Clifford Hugh Douglas, a Scottish engineer, determined that total costs incurred in production were greater than the total sum of issued wages, salaries and dividends. Studying the problem further, he concluded that there would always be a deficit in purchasing power relative to prices in modern economies and he developed the principles of a sound and efficient financial system that we call Social Credit, or Economic Democracy.

The basis of the economic reforms we propose rests on the problem mentioned earlier. Ontario has a deficit in purchasing power. Available money is less than the full cost of what is produced. So, when an item hits the store shelf, wages distributed to workers involved in its manufacture are not enough to cover the item's full production cost when depreciation, overhead and other costs are considered. So A (incomes) cannot purchase A+B (B representing all other costs). The main reason for this problem is that financing of real capital and cost accounting of overhead increases costs without generating a corresponding amount of income in the usual forms of salaries and wages. There are other factors which explain this problem in the Social Credit literature.

What are the basic principles of the Social Credit analysis? First, the wealth of society doesn't reside in the banks' entry of figures into accounts. Wealth, the "Real Credit" of a community, is comprised of the resources of the natural world, such as land, the sun, minerals, water, labour, skills, innovative techniques and the knowledge of how to use resources. Presently, private financial interests make a claim on real wealth that rightly belongs to all of us. Social Crediters say that Real Credit is countable and forms the basis of the volume of available Financial Credit - money, or purchasing power. Money is monetized Real Credit. We would take the private manufacturing of money out of the hands of banks and place that sovereign function in the hands of society. We would issue money to individuals in the form of a social Dividend, or UBI. We would provide producers with debt free loans. Money would be circulated into existence based on and representing a country's Real Credit. A National Credit Authority, established by legislation, would be responsible for this function.

It is not charity and largesse but justice that entitles each person a claim on a universal income or social Dividend. Natural resources are a gift which must be at the service of all. There are techniques, designs, inventions and discoveries that were created and shared from one generation to the next. There is the unearned collective increment of association- of working together and sharing tasks for mutual benefit. These form a heritage that belongs to all as a legacy of many generations. We have inherited much know-how since the wheel was discovered that rightly represents a collective inheritance. There is indeed such a thing as a free lunch: life itself is a gift, air is free and so is the abundant sustaining planet. Full and equal access to this free lunch is logical and fair.

Since Financial Credit represents a country's productive capacity, it would be distributed without debt, obligation or restrictions to each person in recognition of our common ownership of the

resources of the planet and the rich cultural heritage as the primary factors of production. Society has the right, and obligation, to provide the means of sustenance to its population. Banks, privately owned entities, would no longer control money; society would do so.

A National Credit Office, or NCO, representing a 4th branch of government, in addition to the executive, legislative and judicial, would calculate the amount of social Dividend, or UBI, payable to each person based on the country's real wealth. The NCO would assess the country's real assets and capacity to produce and total buying power would be matched to the total prices of goods for sale using mechanisms discussed in the body of Social Credit literature.

There would be no gap between prices and purchasing power. Goods and services would be produced using debt free Financial Credit issued by the NCO. Privately owned banks, who have no natural mandate to dominate the financial system, would cease controlling credit for governments, producers and individuals. Debt, inflation and deflation cycles and taxation would end.

Doesn't this make sense? When public services are needed- schools, hospitals, roads, and what not, the questions asked would be "Does society have the productive potential? Are there materials, workers and know-how?" We would not ask whether we could afford the public service, but do we need it and is it doable with the resources at hand?

As the founder of the Louis Even Institute for Social Justice remarked: "Everyone has a right to a share of production as co-capitalists and co-heirs of what is the largest factor in modern production. This factor is the benefit resulting from progress that was acquired, increased and shared from one generation to the next and as co-owners of God's given natural resources."

The cultural heritage is always increasing from one generation to the next. This means that a Dividend would also increase. It is inherently logical that as the cultural heritage increases, jobs decrease.

Poverty is grinding; it separates us artificially into haves and have-nots. The systemic source of poverty - the control of credit and money by private interests, can be corrected by Social Credit economic policy. Every modern nation can produce everything needed to feed, clothe, educate, provide health care and other basics to its entire population. Resources are not scarce; they are abundant. We can enjoy this abundance if we are all enabled with enough purchasing power. That all are not sharing in this abundance is because money is controlled privately and not by society. Social Credit fixes this problem.

Ontario's Basic Income pilot, if adopted after the end of the trial period, in its present scope will not heal the rifts and social divisions between those receiving an income while supported by others through a system of redistributive taxation. Disunity will persist. It will not facilitate engagement in what is a diminishing paid workforce. It will not end debt slavery.

We offer an elegant and practical answer in Social Credit. A Social Credit Dividend removes the need for virtually any type of income supplement, government debt and taxation. It is the ordinary person who clamours for change and so we invite you to become educated about the system of monetary reform called Social Credit in order to implement a sound financial system, governed by society, with all citizens claiming their rightful inheritance to a universal benefit, a social Dividend that is a birthright. We can enjoy life in all its fullness of spiritual, cultural and psychological well being. Social Credit principles can usher society to its great potential.