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"Ye shall know the truth and the truth shall make you free"

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SOLVING PROBLEMS ON EARTH

By Eric D. Butler

As I recently listened to President Reagan's colourful rhetoric concerning how the USA should reach for the stars, I was reminded of a Seminar I attended in the USA at the very beginning of the space programme. Two economists, described as "eminent", presented a thesis on the economics of a greatly expanded space programme, arguing that a major result of such development would be an equivalent of an export market. It was seriously argued that unlike other export markets, there would be no attempt by anyone in space to retaliate by trying to export to the earth.

President Reagan speaks in terms of thousands of millions being spent on greatly expanded space programmes. All exploration has a fascination for many human minds, and a case can be argued for an expansion of space exploration. But the solution to man's problems will not be found in outer space. One has a suspicion that by concentrating man's attention on spectacular achievements in space, attention is directed away from problems on earth. History provides numerous examples of military dictators organising aggression abroad in an attempt to divert attention away from problems at home. Prime Minister Thatcher found that the Falklands war dramatically increased her sagging electoral stocks. But as the memory of an outstanding feat of British arms fades, it is not surprising that Mrs. Thatcher's electoral rating has dropped.

MAN'S BASIC PROBLEMS

While spectacular space projects have helped to shed more light on aspects of the nature of the Universe, none has shed any light whatever on man's basic problems, which are of his own making on earth. Economists, who argue that before man can eat the food he has so abundantly produced, he must first fire a range of metals and scientific equipment into outer space, are not likely to have anything of real value to offer. They, and many others who visualise outer space as of primary importance, remind one of the old saying that the eyes of the fool are on the ends of the world.

Man's basic problems are not only on earth; they are inside his own mind. Man was learning to discover God long before he could even propel himself with the steam engine. The great Truths upon which Western Civilisation was erected were discovered without a visit to the moon. Bigger and more spectacular space projects, with pictures from other planets being brought into our drawing rooms will not free minds enslaved by false dogmas, they may even reinforce them. The tragedy is that the very technology, which could have been used to free man as he has never been free before, has been used to progressively enslave him. In making what is often described as the conquest of nature, man has merely made a conquest of himself.

Seek ye first the Kingdom of God, which is within, and all else shall be added. The most urgent necessity at present is for more individuals to be fired by the challenge of seeking and exploring that Kingdom. This is an adventure much more challenging than attempting to fly to the stars. Space projects on the scale now being suggested by President Reagan require further centralisation of power over the individual. With the aid of modern technology, man can use power on a scale

dwarfing anything done in the past. But is it morally desirable that power should be organised on such a scale? All power still

COMMEMORATING THE 1934 DOUGLAS WORLD TOUR

It is now 50 years since the author of *Social Credit*, C.H. Douglas, made his 1934 world tour of Australia, New Zealand and Canada.

During that tour Douglas delivered a number of vitally important addresses, most, but not all, of which have been brought back into print.

At the end of his 1934 tour, Douglas delivered his famous Buxton address, *The Nature of Democracy*, in which he outlined a realistic non-party political strategy for dealing with the problem of how to bring the institutions of society, particularly the financial institutions, under the control of the individual.

In association with a number of Social Crediters throughout the Crown Commonwealth nations — Australia, New Zealand, Canada and the United Kingdom — *The New Times* is planning to have staged later in the year, a series of Exhibitions to commemorate the 1934 Douglas tour.

We are therefore inviting all our readers, particularly older readers, to let us know if they have any material they believe would be suitable for inclusion in the proposed Exhibitions. Early copies of *The New Times* would be welcome. We have been offered a set of *The New Era*, a popular style magazine that under the editorship of the late C. Barclay-Smith reached a circulation of over 30,000. Greatly appreciated would be any copies of Australia's first Social Credit journal, *The New Economics*, published in Melbourne.

There are many still living that remember the 1934 Douglas tour. They might provide recollections. Newspaper reports, photos and other items would be invaluable.

Suggestions for the proposed Exhibitions welcomed.

All those who feel they can make any contribution are invited to write to The Secretary, The Social Credit Historical Society, care of G.P.O. Box 1052J, Melbourne, 3001.

corrupts and absolute power corrupts absolutely.

MORAL PROGRESS

True progress is moral progress, that which enables individuals to develop themselves as a result of an expansion of freedom. If God's will is to be done on earth, as requested in the great Christian prayer, then man must solve the problems which afflict him on earth, and not seek to escape from them in outer space. He must adjust his financial and economic policies so that he not only frees himself from artificial restrictions, but

ceases to rape the God-given resources of the earth, acting as a steward of a vast heritage.

Before being swept away with programmes for conquering space, man should first start to explore his own divine nature, always remembering the warning concerning the gaining of the whole world at the risk of losing one's soul. The perversion of Science, with the claim that man is his own God, is one of the greatest blasphemies of our time. Salvation requires that this perversion be ended with an acceptance of the truth that science is but the orderly arrangement of those Truths, which belong to God.

HOW BIG IS SIZE?

Under the above heading the following article by G. Baxter, originally appearing in "The Social Crediter", was re-published in "The New Times" of March 11, 1955. The theme of the article is even more appropriate now than when it was first published.

We live in a world of so-called great things, of wonders, of epoch-making inventions and developments. High-speed travel has shrunk the limits of the earth to short excursions and new terrifying bombs threaten the elimination of man. The gigantic and the prodigious are set on a pedestal while the minute is belittled and man becomes more and more just a pawn in the whirlwind of events.

This cult of bigness pervades almost all aspects of our lives and is corrupting to the mind itself. Even those who are forced by financial circumstances to modest modes of life and who have no hope of achieving greatness or of acquiring big things are constantly under the pressure of this maxim of magnitude. Almost as babes, and certainly as soon as our education begins, our minds come under the influence of this false philosophy and all else is sacrificed to it.

Millions of boys and girls who are being educated in an almost identical manner are faced with a titanic struggle for a place in the sun when they leave school and parents are obliged to try to fit them into the great state machine and economic system like so many rivets in a modern leviathan. Parents may not wish it, but the children's lives are thus planned because in order to earn a living when they become adults they must conform to the general scheme. The result of such education, as many know all too well, is a mass of citizens with second-rate, regimented and stereotyped minds whatever their ability may be to do crossword puzzles or to answer quizzes.

From the medical world, we hear frequently of new therapeutic wonders. Man, we must infer, has become wiser than Nature in his ability to heal. With a precision that is astonishing, and, of course in each instance to the patient's perfect satisfaction, cures are effected by drugs, serums, the use of the knife and other drastic means. For the benefit of citizens, we have an elephantine health service and yet as we look around we still see unhealthy faces. The cost of the health services rises and the apothecaries' chain stores continue to do business in millions yet we know that the nation's health is not a proportionate return for this fabulous outlay of capital.

Industry, of course, is one of the big things of the modern world. It grows and expands, employs all the most modern equipment and more and more horsepower. It has become so big and people have become so hypnotised that, if they ever know, they cannot say what is its true purpose. How many look upon industry as a huge labour market, a place for occupying the masses for eight hours a day and for distributing wages? That industry is there exclusively to produce the best quality consumer goods where and when required is completely overlooked. It is, therefore, little cause for wonder that goods for sale are commonplace, mass-made, indifferent in quality and almost lacking in signs of craftsmanship.

Even the oldest occupation in the world, agriculture, has been corrupted by the spell of bigness. We see bigger and bigger farms, larger and more complicated farm machinery and more and more intensive cultivation by artificial fertilisers.

In America, the result has been dust bowls; at home, the soil has been weakened by similar grandiose farming methods while the farmer is losing touch with the earth. The quality of the farm product is questionable and even our daily bread is suspect because it has become involved in mass production methods.

If we examine this question of bigness as impartially as possible, we shall find that nearly all aspects of life are being pulled down to a lower standard. Entertainment, particularly by the cinema ousting the little theatre, was never so poor; the catering industry provides the most indifferent cuisine; and even sport, the glory of our country, has suffered by conversion into mass entertainment and big business.

Amidst all these enormous forces, namely, education, industry, entertainment, radio, the speed of life and the drive to make money or to make ends meet, man tends to lose himself and his identity, to feel himself merely as a part of a machine, and so he develops an artificial and unnatural satisfaction in feeling himself as a member of a huge community with whose ways and thoughts he must conform. To do otherwise would cast him into an abyss of loneliness.

This mass feeling and mass conception of life is the greatest danger to humanity. Directed by this false philosophy of bigness and limited by shortage of money, the great masses have not the time to think about creating and building up their own destiny. From morning till night, they are concerned chiefly with the question of caring for themselves and their families. This constitutes their life and culture and they are reasonably happy if they succeed in this simple purpose. In addition, there is the constant fear almost in every heart that suddenly and overnight all their puny efforts may be wiped out by a worldwide inferno so blatantly advertised as forthcoming.

We cannot avoid the issue if we wish to be honest with ourselves; this tendency to conform to a low standard is a

1985 CROWN COMMONWEALTH CONFERENCE

As previously reported, the next conference of The Crown Commonwealth League of Rights is scheduled to be held in the United Kingdom in 1985. As yet we do not have the relevant information concerning the time of the year and the venue, but following the outstanding success of the package tour for those Australians who took in the Calgary Conference, it is planned to offer something similar for those who may wish to combine a tour of the United Kingdom (and possibly the Continent) in conjunction with the Crown Commonwealth Conference and Seminar. This is merely a preliminary announcement in order that readers in Australia and New Zealand may start to think about the concept.

trend towards equalitarianism and a move towards communism. In plain words, it is satanic, for the devil lies in whatever tries to master us. It is a tearing of man from his inherent qualities and highest aspirations — a subordination of man to material things.

The solution of this problem must obviously be based on a right assessment of bigness — right in the sense of how mere bigness affects the individual. Magnitude, if it has any meaning at all, must satisfy some inherent need of the individual. The individual must bring its meaning to a focus.

Time and custom, however, has rendered the perversion of ideas and values chronic. Man is labouring under a host of false conceptions, some of which even lead him to believe that that which is painful and unpleasant is good for him while the notion that all that is big is good has become such an *idée fixe* that it brooks no adverse criticism.

Let us see if we can put bigness in its' proper place without making the mistake of belittling its force. The Atom bomb and the "H" bomb are the essence of our present day conception of bigness but whether we are killed by one or the other or by a splinter from a hand grenade, the result is the same.

In his economic desperation man sets his hopes on gigantic football pools. Most Englishmen still prefer a small home of their own — they would not feel happy in a skyscraper. In matters of government, the great totalitarian states have demonstrated that they cannot satisfy the needs, wishes and urges of their peoples, whereas the small ones, such as Switzerland and Portugal, are undoubtedly more successful in this respect. The big chain stores succeed as profit-making concerns, and by meeting the immediate low-price needs of their clients they conform more efficiently to the low-cost rule. Perverted conceptions concerning the advantages to be gained by bigness arise in almost all cases from this conformity to the rule of cheapness. Mass production and mass entertainment of all kinds owe their existence entirely to the fact that the cost per head is less.

Youth, always attracted by the lure and novelty of size, moves into the great cities; people who must earn a living there go as well; many continue to live in them because a limited horizon allows them to think of nothing better and there are those who for financial reasons cannot move out. But if we set aside financial motives, there are no true benefits from life in a great metropolis.

So it is with magnitude in all forms, and, if we set ourselves the task of examining all possibilities we shall find that if we eliminate the financial urge of cutting down costs, bigness has no advantage to offer us. Yet how many give the slightest attention to a consideration of the nature and effect of this man-made rule of cheapness — a rule which is forced upon us by what can be well described as an out-of-date, man-made, bookkeeping system? Time and custom have put such a handicap on this thinking capacity that man is unable to recognise the economic sword, which is slowly but surely piercing his side. It is all so much simpler to accept conventional ideas about life, to swallow orthodox opinion without question and to enjoy the perverted satisfaction to be gained from finding something marked at a low price. Cheap houses, cheap furniture, cheap clothes and food. Dear in fact are all these things in respect of quality, but they must fit the purse — mediocrity all the time.

It would seem that man needs re-educating to enable him to think clearly on quite simple everyday matters, to take him outside the limits imposed by his purse, to give him an orientation in harmony with reality. Education, however, like patriotism, is not enough. We must go deeper than the expression, dissemination and inculcation of new and abstract ideas. Man can be taught satisfactorily and effectively only by demonstration. If men are to raise their minds above the horizon of general mediocrity, they must be given a ladder, which they alone can mount, each for himself.

Where can we find such a ladder? How can men be helped to

assume the responsibility of raising themselves out of mediocrity? We have just explained how bigness and mediocrity thrive on financial stringency and the corresponding need to reduce costs to the lowest level. There can be no doubt, therefore, that if we wish to destroy the cult of bigness and restore quality in all things, we can do so only by placing man in his correct relationship to the universe and by setting aside this unnatural and inorganic lowest-cost-rule.

We need something which will destroy a rule which makes the manufacturer or the provider of services cut the cloth according to the customer's purse as distinct from his needs or his wishes, or, alternatively, which forces the buyer to seek the lowest quality and the poorest service because he can pay no more.

It cannot be beyond the ingenuity of man to find a solution to a problem, which is becoming fundamentally more and more urgent as time goes on. Economists and political scientists discuss many aspects of social relationships but they rarely discuss the perversity and danger to humanity of a system, which tends to drag everything and everybody down to the lowest common denominator. The Church, too, gives no sign of understanding this problem.

A solution is proposed which might operate either by assisting the manufacturer to sell the best quality goods at lower prices without financial loss to himself or by giving the purchaser an additional income outside the normal wage-price-cost system to enable him to pay the higher prices of better quality goods and services, or a combination of these methods.

This, in general, is the ladder which might be placed at men's feet, the climbing of which will instruct them better than any teaching can do. With it, if they will, they can achieve the greatest heights and align their actions to their highest aspirations. Here it is merely a proposal: there can be no doubt that our brilliant economists can find the right method of application if they set about it. Their efforts are devoted to other ends.

We said that morning till night most men and women are concerned with nourishing and sheltering themselves and their families. The emphasis is on the amount of time spent on these functions. Of course, great joy can be gained from caring for one's family, but with the facilities, which science and invention can now put at our disposal, the time factor should be steadily reduced. No person today should be so exhausted by this pursuit that he has time left only for the most limited interests. Primitive man no doubt spent most of his time concerning himself with the acquisition of these essential things but today they need occupy but a fraction of our time. The setting aside of the lowest-cost rule as just proposed would put nourishment, clothing and sheltering of the individual in places proportionate to their importance.

With an increased ability to acquire high quality goods, man should soon recognise industry's sole purpose, namely, to serve his requirements in goods and services. He will soon learn to demand the best quality goods and in many things he will learn to ask for things, which are better, and somewhat different from those already possessed by his neighbours. In time, mass-produced goods will no longer be attractive. The giving of the utmost personal satisfaction will be his criterion

BASIC FUND APPEAL

We are getting there, but slowly. This is 1984, a year in which Australians are fighting for survival as a free people, with their backs literally against the wall. There is only one way to go now — FORWARD! Please get YOUR contribution away immediately. At least another \$10,000 is required to reach the target of \$45,000.

of value. Under this new drive for quality craftsmanship will thrive and the great mass-production industries will decline. Men will again be able to take pride in their work.

After an initial bout of over-indulgence, with consequent ill health, men will learn to take a real interest in food, in its choice and preparation. They will learn to demand and be ready to pay for only the best quality of naturally grown food-stuffs. This demand will in turn revolutionise agriculture and force farmers to look to their soil, to produce only the highest quality products, which can be done only by intensive individual natural soil culture.

As man climbs the ladder above mediocrity, he will recognise that he alone is responsible for the state of health of his body: the whole emphasis will be on personal responsibility in all things but particularly in matters of health. Resort to medical drugs will be seen as a form of escapism, escape from personal responsibility for health, which can only be maintained by self-mastery and self-control. The body can take a surprising amount of punishment and abuse but the laws of cause and effect cannot be circumvented, even by the saints.

Because all enterprise and initiative has not been destroyed by the glorification of mere magnitude, men will rise from one rung of the ladder to the next according to the strength of their characters and the virility of the hidden urge within them to find freedom. Thus individuality will grow and men will throw off mass conceptions of life which, as we have said, are the

greatest danger to human society.

The demand for quality would increase the need for craftsmanship. Employers would seek more and more workers with creative ability; men who can work better and so satisfy the ever-growing variety of human requirements.

The greater sense of security, the absence of the need to hurry, the debunking of bigness and increased leisure would give men time to reflect upon the purpose of being. No longer will financial circumstances humiliate men, but, in the real sense of the word, they will feel humble before the possibilities, which would then stretch before them. Parents would no longer feel that their children might become mere straws in the whirlwind of events but would become individual forces able to turn events in their favour. The arbitrary distribution of rewards and punishments will no longer dominate men's lives and the present misused primary urges of hope and fear will have assumed their appropriate places in a world whose organisation and society would have the prime object of offering them security and peace.

Once this leaven of quality in all things has been infused into all aspects of life, the real wonders of the world would become apparent. The great modern material achievements of man, the so-called wonders of modern civilisation would no longer astonish us but we should be amazed at the wonderful powers, which reside within us — in the power of the mind, in character, in becoming the servant of humanity, the greatest of them all.

THE TOWER OF BASEL AND THE BANK THAT RULES THE BANKS

Occasionally even sections of the media publish some information concerning the nature of real power in the world. While the following article, originally published in "Harper's Magazine" (USA), and reprinted in "The Australian" of January 9, does not go so far as to explain how banks create money out of nothing in the form of bank credit, it does shed some light on the machinations of International Finance. The author of the article is Jay Edward Epstein.

Ten times a year — once a month except in August and October — a small group of well-dressed men arrive in Basel, Switzerland. Carrying overnight bags and attaché cases, they discreetly check into the Euler Hotel, across from the railway station.

They have come to this sleepy city from places as disparate as Tokyo, London and Washington, DC, for the regular meeting of the most exclusive, secretive and powerful supra-national club in the world.

Each of the dozen or so visiting members has his own office at the club, with secure telephone lines to his home country. The members are fully serviced by a permanent staff of about 300, including chauffeurs, chefs, guards, messengers, translators, stenographers, secretaries and researchers.

Also at their disposal are a brilliant research unit and an ultra-modern computer, as well as a secluded country club with tennis courts and a swimming pool, a few kilometres outside Basel.

The membership of this club is restricted to a handful of powerful men who determine daily the interest rate, the availability of credit and the money supply of the banks in their own countries.

They include the governors of the US Federal Reserve, the Bank of England, the Bank of Japan, the Swiss National Bank and the German Bundesbank.

The club controls a bank with a \$40 billion kitty in cash, government securities, and gold that constitutes about one-tenth of the world's available foreign exchange. The profits earned just from renting out its hoard of gold (second only to that of Fort Knox in value) are more than sufficient to pay for the expenses of the entire organisation.

And the unabashed purpose of its elite, monthly meetings is to co-ordinate and, if possible, to control all monetary

activities in the industrialised world. The place where this club meets in Basel is a unique financial institution called the Bank for International Settlements — or more simply, and appropriately, the BIS (pronounced "biz" in German).

The BIS was originally established in May 1930 by bankers and diplomats of Europe and the United States to collect and disburse Germany's World War I reparation payments (hence its name).

It was truly an extraordinary arrangement. Although the BIS was organised as a commercial bank with publicly-held shares, its immunity from government interference — and taxes — in both peace and war was guaranteed by an international treaty signed in The Hague in 1930. Although all its depositors are central banks, the BIS has made a profit on every transaction. And because it has been highly profitable, it has required no subsidy or aid from any government.

Since it also provided, in Basel, a safe and convenient repository for the gold holdings of the European central banks, it quickly evolved into the bank for central banks.

As the world depression deepened in the 'thirties and financial panics flared up in Austria, Hungary, Yugoslavia and Germany, the governors in charge of the key central banks feared that the entire global financial system would collapse unless they could closely co-ordinate their rescue efforts. The obvious meeting spot for this desperately needed co-ordination was the BIS, where they regularly went anyway to arrange gold swaps and war-damage settlements.

Even though an isolationist Congress officially refused to allow the US Federal Reserve to participate in the BIS, or to accept shares in it (which were instead held in trust by the First National City Bank), the chairman of the Fed quietly slipped over to Basel for important meetings. World monetary policy was evidently too important to leave to national politicians.

During World War II, when the nations, if not their central banks, were belligerents, the BIS continued operating in Basel, though the monthly meetings were temporarily suspended.

In 1944, following Czech accusations that the BIS was laundering gold that the Nazis had stolen from occupied Europe, the American Government backed a resolution at the Bretton Woods Conference calling for the liquidation of the BIS.

The naive idea was that the settlement and monetary-clearing functions it provided could be taken over by the new International Monetary Fund. What could not be replaced, however, was what existed behind the mask of an international clearing house: a supranational organisation for setting and implementing global monetary strategy, which could not be accomplished by a democratic, United Nations-like international agency.

The central bankers, not about to let their club be taken from them, quietly snuffed out the American resolution.

After World War II, the BIS re-emerged as the main clearinghouse for European currencies and, behind the scenes, the favoured meeting place of central bankers. When the dollar came under attack in the 1960s, massive swaps of money and gold were arranged at the BIS for the defence of the American currency.

It was undeniably ironic that, as the president of the BIS observed, "the United States, which had wanted to kill the BIS, suddenly finds it indispensable". In any case, the Fed has become a leading member of the club, with either Chairman Paul Volcker or Governor Henry Wallich attending every "Basel weekend".

Originally, the central bankers sought complete anonymity for their activities. Their headquarters were in an abandoned six-storey hotel, the Grand et Savoy Hotel Univers, with an annexe above the adjacent Prey's Chocolate Shop. There purposely was no sign over the door identifying the BIS, so visiting central bankers and gold dealers used Prey's, which is across the street from the railroad station, as a convenient landmark.

It was in the wood-paneled rooms above the shop and the hotel that decisions were reached to devalue or defend currencies, to fix the price of gold, to regulate offshore banking, and to raise or lower short-term interest rates. And though they shaped "a new world economic order" through these deliberations (as Guido Carli, then the governor of the Italian central bank, put it), the public, even in Basel, remained almost totally unaware of the club and its activities.

In May 1977, however, the BIS gave up its anonymity, against the better judgment of some of its members, in exchange for more efficient headquarters. The new building, an 18-storey-high circular skyscraper that rises over the medieval city like some misplaced nuclear reactor, quickly became known as the "Tower of Basel" and began attracting attention from tourists.

"That was the last thing we wanted," Dr. Fritz Leutwiler, current president of both the BIS and the Swiss National Bank, explained to me while watching currency changes flash across the Reuters screen in his office. "If it had been up to me, it never would have been built".

Despite its irksome visibility, the new headquarters does have the advantages of luxurious space and Swiss efficiency. The building is completely air-conditioned and self-contained, with its own nuclear-bomb shelter in the sub-basement, a triply redundant fire-extinguishing system (so outside firemen never have to be called in), a private hospital and some 20 miles of subterranean archives.

"We try to provide a complete clubhouse for central bankers . . . a home away from home," said Gunther Schleiminger, the super-competent general manager, as he arranged a rare tour of the headquarters for me.

The top floor, with a panoramic view of three countries — Germany, France and Switzerland — is a deluxe restaurant, used only to serve the members a buffet dinner when they arrive on Sunday evenings to begin the "Basel weekends". Aside from those 10 occasions, this floor remains ghostly empty.

On the floor below, Schleiminger and his small staff sit in spacious offices, administering the day-to-day details of the BIS and monitoring activities on lower floors as if they were running an out-of-season hotel.

The next three floors down are suites of offices reserved for the central bankers. All are decorated in three colours — beige, brown, and tan — and each has a similar modernistic lithograph over the desk. Each office also has coded speed-dial telephones that at a push of a button directly connect the club members to their offices in their central banks back home.

The completely deserted corridors and empty offices — with nameplates on the doors and freshly sharpened pencils in cups and neat stacks of incoming papers on the desks — are again reminiscent of a ghost town. When the members arrive for their forthcoming meeting, there will be a remarkable transformation, according to Schleiminger, with multilingual receptionists and secretaries at every desk, and constant meetings and briefings.

On the lower floors are the BIS computer, which is directly linked to the computers of the member central banks and provides instantaneous access to data about the global monetary situation, and the actual bank, where eighteen traders, mainly from England and Switzerland, continually roll over short-term loans on the Eurodollar markets and guard against foreign exchange losses (by simultaneously selling the currency in which the loan is due).

On yet another floor, gold traders are constantly on the telephone arranging loans of the banks' gold to international arbitrageurs, thus allowing central banks to make interest on gold deposits.

Occasionally there is an extraordinary situation, such as the decision to sell gold for the Soviet Union, which requires a decision from the "governors", as the BIS staff calls the central bankers. But most of the banking is routine, computerised, and riskless.

Indeed, the BIS is prohibited by its statutes from making anything but short-term loans — most are for thirty days or less — that are government-guaranteed or backed with gold deposited at the BIS. The profits the BIS receive for essentially turning over the billions of dollars deposited by the central banks amounted to \$162 million last year.

As skilled as the BIS may be at all this, the central banks themselves have highly competent staffs capable of investing their deposits. The German Bundesbank, for example, has a superb international trading department and 15,000 employees — at least twenty times as many as the BIS staff. Why then do the Bundesbank and the other central banks transfer some \$40 billion of deposits to the BIS and thereby permit it to make such a profit?

One answer is of course secrecy. By commingling part of their reserves in what amounts to a gigantic mutual fund of short-term investments, the central banks create a convenient screen behind which they can hide their own deposits and withdrawals in financial centres around the world.

For example, if the BIS places funds in Hungary, the individual central banks do not have to answer to their governments for investing in a communist country. And the central banks are apparently willing to pay a high fee to use the cloak of the BIS.

There is, however, a far more important reason why the central banks regularly transfer deposits to the BIS; they want to provide it with a large profit to support the other services it

provides.

Despite its name, the BIS is far more than a bank. From the outside, it seems to be a small, technical organisation. Just 86 of its 298 employees are ranked as professional staff. But the BIS is not a monolithic institution; artfully concealed within the shell of an international bank, like a series of Chinese boxes one inside another, are the real groups and services the central bankers need — and pay to support.

The first box inside the bank is the board of directors, drawn from the eight European central banks (England, Switzerland, Germany, Italy, France, Belgium, Sweden, and the Netherlands), which meets on the Tuesday morning of each "Basel weekend".

The board also meets twice a year in Basel with the central banks of Yugoslavia, Poland, Hungary, and other Eastern bloc nations. It provides a formal apparatus for dealing with European governments and international bureaucracies like the IMF or the European Economic Community (the Common Market).

The board defines the rules and territories of the central banks with the goal of preventing governments from meddling in their purview.

For example, a few years ago, when the Organisation for Economic Co-operation and Development in Paris appointed a low-level committee to study the adequacy of bank-reserves, the central bankers regarded it as poaching on their monetary turf and turned to the BIS board for assistance. The board then arranged for a high level committee, under the head of Banking Supervision at the Bank of England, to pre-empt the issue. The OECD got the message and abandoned its effort.

To deal with the world at large, there is another Chinese box called the Group of Ten, or simply the "G-10". It actually has eleven full-time members, representing the eight European central banks, the US Fed, the Bank of Canada, and the Bank of Japan. It also has one unofficial member: the governor of the Saudi Arabian Monetary Authority.

This powerful group, which controls most of the transferable money in the world, meets for long sessions on the Monday afternoon of the "Basel weekend". It is here that broader policy issues, such as interest rates, money-supply growth, economic stimulation (or suppression), and currency rates are discussed — if not always resolved.

Directly under the G-10, and catering to all its special needs, is a small unit called the "Monetary and Economic Development Department", which is, in effect, its private think tank. The head of this unit, the Belgian economist Alexandre Lamfalussy, sits in on all the G-10 meetings, then assigns the appropriate research and analysis to the half dozen economists on his staff. This unit also produces the occasional blue-bound "economic papers" that provide central bankers from Singapore to Rio de Janeiro, even though they are not BIS members, with a convenient party line.

For example, a recent paper called "Rules versus Discretion: An Essay on Monetary Policy in an Inflationary Environment", politely defused the Milton Friedmansque dogma and suggested a more pragmatic form of monetarism.

And last May, just before the Williamsburg summit conference, the unit released a blue book on currency intervention by central banks that laid down the boundaries and circumstances for such actions. When there are internal disagreements, these blue books can express positions sharply contrary to those held by some BIS members, but generally they reflect a consensus of the G-10.

Over a bratwurst-and-beer lunch on the top floor of the Bundesbank, which is located in a huge concrete building (called "the bunker") outside Frankfurt, Karl Otto Pohl, its president and a ranking governor of the BIS complained to me about the repetitiousness of the meetings during the "Basel weekend".

"First, there is the meeting on the Gold Pool, then, after

lunch, the same faces show up at the G-10, and the next day there is the board (which excludes the US, Japan, and Canada), and the European Community meeting (which excludes Sweden and Switzerland from the previous group)."

He concluded: "They are long and strenuous — and they are not where the real business gets done." This occurs, as Pohl explained over our leisurely lunch, at still another level of the BIS: "a sort of inner club," as he put it.

The inner club is made up of the half dozen or so powerful central bankers who find themselves more or less in the same monetary boat: along with Pohl are Volcker and Wallich from the Fed, Leutwiler from the Swiss National Bank, Lamberto Dini of the Bank of Italy, Haruo Mayekawa of the Bank of Japan, and the retired governor of the Bank of England, Lord Gordon Richardson (who had presided over the G-10 meetings for the past ten years).

They are all comfortable speaking English; indeed, Pohl recounted how he has found himself using English with Leutwiler, though both are of course native German-speakers. And they all speak the same language when it comes to governments, having shared similar experiences.

Pohl and Volcker were both undersecretaries of their respective treasuries; they worked closely with each other, and with Lord Richardson, in the futile attempts to defend the dollar and the pound in the 1960s. Dini was at the IMF in Washington, dealing with many of the same problems. Pohl had worked closely with Leutwiler in neighbouring Switzerland for two decades.

"Some of us are very old friends," Pohl said. Far more important, these men all share the same set of well-articulated values about money.

The prime value, which also seems to demarcate the inner club from the rest of the BIS members, is the firm belief that central banks should act independently of their home governments. This is an easy position for Leutwiler to hold, since the Swiss National Bank is privately owned (the only central bank that is not government-owned) and completely autonomous. ("I don't think many people know the name of the president of Switzerland — even in Switzerland," Pohl joked, "but everyone in Europe has heard of Leutwiler.")

Almost as independent is the Bundesbank; as its president, Pohl is not required to consult with government officials or to answer the questions of Parliament — even about such critical issues as raising interest rates. He even refuses to fly to Basel in a government plane, preferring instead to drive in his Mercedes limousine.

The Fed is only a shade less independent than the Bundesbank: Volcker is expected to make periodic visits to Congress and at least to take calls from the White House — but he need not follow their counsel. While in theory the Bank of Italy is under government control, in practice it is an elite institution that acts autonomously and often resists the government. (In 1979, its then governor, Paolo Baffi, was threatened with arrest, but the inner club, using unofficial channels, rallied to his support).

Although the exact relationship between the bank of Japan and the Japanese Government purposely remains inscrutable, even to the BIS governors, its chairman, Mayekawa, at least espouses the principle of autonomy.

Finally, though the Bank of England is under the thumb of the British Government, Lord Richardson was accepted by the inner club because of his personal adherence to this defining principle. But his successor, Robin Leigh-Pemberton, lacking the years of business and personal contact, probably won't be admitted to the inner circle.

In any case, the line is drawn at the Bank of England. The Bank of France is seen as a puppet of the French government; to a lesser degree, the remaining European banks are also perceived by the inner club as extensions of their respective governments, and thus remain on the outside.

A second and closely related belief of the inner club is that politicians should not be trusted to decide the fate of the international monetary system. When Leutwiler became president of the BIS in 1982, he insisted that no government official be allowed to visit during a "Basel weekend".

He recalled that in 1968, US Treasury undersecretary Fred Deming had been in Basel and stopped in at the bank "When word got around that an American Treasury official was at the BIS," Leutwiler said, "bullion traders, speculating that the US was about to sell its gold, began to panic in the market".

Except for the annual meeting in June (called "the Jamboree" by the staff), when the ground floor of the BIS headquarters is open to official visitors, Leutwiler has tried to enforce his rule strictly. "To be frank," he told me, "I have no use for politicians. They lack the judgment of central bankers." This effectively sums up the common antipathy of the inner club toward "government muddling," as Pohl puts it.

The inner-club members also share a strong preference for pragmatism and flexibility over any ideology, whether that of Maynard Keynes or Milton Friedman. For this reason, there was considerable apprehension last spring that Paul Volcker would be replaced by a supply-side ideologue like Beryl Sprinkel, and considerable relief when he was reappointed for another term.

Rather than resorting to rhetoric and invoking principles, the inner club seeks any remedy that will relieve a crisis. For example, earlier this year, when Brazil failed to pay back on time a BIS loan that was guaranteed by the central banks, the inner club quietly decided to extend the deadline instead of collecting the money from the guarantors. "We are constantly engaged in a balancing act — without a safety net," Leutwiler explained.

The final and by far the most important belief of the inner club is the conviction that when the bell tolls for any single central bank, it tolls for them all. When Mexico faced bankruptcy last year, for instance, the issue for the inner club was not the welfare of that country but as Dini puts it, "the stability of the entire banking system".

For months Mexico had been borrowing overnight funds from the interbank market in New York — as every bank recognised by the Fed is permitted to do — to pay the interest on its \$80 billion external debt. Each night it had to borrow more money to repay the interest on the previous night's transactions, and, according to Dini, by August Mexico had borrowed nearly one quarter of all the "Feds Funds", as these overnight loans between banks are called.

The Fed was caught in a dilemma: if it suddenly stepped in and forbade Mexico from further using the interbank market, Mexico would be unable to repay its enormous debt the next day, and 25 per cent of the entire banking system's ready funds might be frozen. But if the Fed permitted Mexico to continue borrowing in New York, in a matter of months it would suck in most of the interbank funds, forcing the Fed to expand drastically the supply of money.

It was clearly an emergency for the inner club. After speaking to Miguel Mancera, director of the Banco de Mexico, Volcker immediately called Leutwiler, who was vacationing in the Swiss mountain village of Grison. Leutwiler realised that the entire system was confronted by a financial time bomb: even though the IMF was prepared to extend \$4.5 billion to Mexico to relieve the pressure on its long-term debt, it would require months of paperwork to get approval for the loan.

And Mexico needed an immediate fix of \$1.85 billion to get out of the interbank market, which Mancera had agreed to do. But in less than forty-eight hours, Leutwiler had called the members of the inner club and arranged the temporary bridging loan.

While this \$1.85 billion appeared — at least in the financial press — to have come from the BIS, virtually all the funds

came from the central banks in the inner club. Half came directly from the United States — \$600 million from the Treasury's exchange-equalisation fund and \$325 million from the Fed's coffers; the remaining \$925 million mainly from deposits of the Bundesbank, Swiss National Bank, Bank of England, Bank of Italy, and Bank of Japan, deposits that were specifically guaranteed by these central banks, though advanced pro forma by the BIS.

The BIS undertook virtually no risk in this rescue operation; it merely provided a convenient cloak for the inner club. Otherwise, its members, especially Volcker, would have to take the political heat individually for what appeared to be the rescue of an undeveloped country. In fact, they were — true to their paramount values — rescuing the banking system itself.

On August 31 of this year, Mexico repaid the BIS loan. But the bailout was only temporary, if not pyrrhic, victory. With the multibillion-dollar debts of a score of other countries — including Argentina, Chile, Venezuela, Brazil, Zaire, the Philippines, Poland, Yugoslavia, Hungary, and even Israel — hanging like so many swords of "Damocles over its sacred monetary system, the inner club has "no choice", as Leutwiler has concluded, but to remain a crisis manager.

This new role has created considerable concern among the outer circle, and even in the Bank of England, since the members who don't entirely share the mentality of the inner club want the BIS to remain primarily a European institution.

"Let the Fed worry about Brazil and the rest of Latin America — that is not the job of the BIS," a blunt representative of the Bank of England, definitely not part of the inner club, told me. Others at the BIS have argued that it does not have the experience or facilities to become "a mini-IMF — putting out fires around the world", as one staffer described it.

To mollify such dissent on the periphery, inner-club members publicly pay lip service to the ideal of preserving the character of the BIS and not turning it into a lender of last resort for the world at large. Privately, however, they will undoubtedly continue their manoeuvres to protect the banking system at whatever point in the world it seems most vulnerable.

After all, it is ultimately the central banks' money at risk, not the BIS's. And the inner club will also keep using the BIS as its public mask — and pay the requisite price for the disguise.

THE SIMPLICITY OF SOCIAL CREDIT

Social Credit can claim the distinction of being based upon the immutable truth of inheritance. Moreover, it can claim the further distinction that we owe to its author the discovery of the fact that endorses and confirms this truth, so that within Social Credit itself we find that absolute relationship and alliance between truth and fact which alone enables the truth to be realised and experienced. For it was the detection of a "flaw" in the price or accounting system, causing a gap to appear between purchasing power and prices, that disclosed what might be called the very stuff of the inheritance, and contradicted the assumption of orthodoxy that costs in industry were automatically self-liquidating. No attempt is made therefore in Social Credit to rectify the gap or flaw, to contrive to abolish it. On the contrary, it is used as the basis for the remedy. For it supplies, as it were, the means or the wherewithal for the technical proposals necessary for the distribution of the inheritance.

The economy is the acme of perfection. Nothing is lost, nothing discarded, nothing wasted. The very fact, the thing, which while ignored or denied, acts as a menace and a curse, binding man to servitude, when acknowledged becomes the

means of his deliverance, and is seen to be a benediction and a blessing. Indeed, it is difficult to see what could be done without it to realise and actualise the truth of man's inheritance, and raise his status, at once, from that of a servant to that of an heir.

The simplicity of Social Credit distinguishes it from every other economic and political reform, whether of right or left. For all these, being based on the assumption that industry is, or should be, or must be made to be self-liquidating, and that man must be fully employed, are merely variants of the efforts and schemes designed to force facts to fit this assumption. All therefore involving, as they must, plans for super capital production, whether for New Deals, militarisation or for developing the "backward countries", plunge man into ever increasing debt and taxation. This forcible manipulation of facts in furtherance of a purpose inimical to man, and in disregard and denial of the truth, is leading man into a realm of fantasy and illusion, and creating that state of dementia into which the world is being ever more rapidly driven. Only, however, when facts are left to speak for themselves — it has been said that facts act as though they were in the pay of Social

Credit — do they lead to the truth which embodies them and which they are designed to manifest, and hence to a state of sanity and enlightenment.

But simplicity is suspect, and arouses opposition. Man has been taught to see some virtue, in the hard, the difficult, the long and tortuous way to achievement. Probably it ministers to his vanity. He is, at any rate, inclined to despise the short cut, the easy way, the line of least resistance. Nevertheless, the right line of least resistance — there is a wrong one — is the only intelligent and efficient one to take. Otherwise, one behaves like the ant that strives again and again to climb over an obstacle when it could so much more easily and quickly get around.

The strange thing to be observed, however, is that Social Credit changes nothing, alters nothing; only a factor in the situation hitherto ignored is utilised. But the result is a change so radical that everything is changed. And the nature of the change is religious, because it is a binding back to reality.

—Beatrice C. Best,
Originally in *The Social Creditor*,
Published in *The New Times*, July 15, 1951.

TO THE POINT

Whatever virtues President Ronald Reagan may have, an understanding of finance-economic realities is not one of them. Making his predictable announcement that he would like a second term in the White House, the President mentioned the alleged American economic recovery as part of the unfinished business he would like to complete. Any slight stimulus to the American economy can easily be demonstrated as being the result of a massive expansion of new credit creation, much of this reflected by the astronomical deficit. Federal Reserve Chairman Paul Vockler told the US Senate, Banking, Housing and Urban Affairs Committee in January that the deficit was the "biggest danger" threatening economic expansion, claiming that the deficit was supposed to go down during a period of economic growth. Addressing the same Senate Committee, President Reagan echoed the fears of Vockler, stating, "If nothing is done (about the deficit) then I think that while there could be a sustained recovery, the temptation would be there for inflation to come back." No genuine economic stability is possible under debt finance — it is either deflation and economic disasters, or inflation and more disasters.

Press reports make much of the fact that debt-ridden Brazil has been permitted to go still deeper into debt in order to help meet past debt. The new loans, the result of an agreement between the Brazil Government and representatives of 700 commercial banks, will, it is reported, "allow Brazil to pay more than \$US1.5 billion in arrears to foreign commercial banks and suppliers". Debt is like a drug; it can alleviate pain for a short period, but unless the cause is removed, increasing doses of the drug must be administered, these producing serious side effects. If continued long enough, there is complete disintegration, which is exactly what is happening to what is left of Civilisation. Revolution is gaining momentum right throughout Latin America, primarily because of the debt problem and its many effects. Unless the basic problem is resolved, huge American military and other expenditure, designed to curb Communist expansion, can only end in complete disaster.

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The Japanese government is worried about its highly successful robot industry. There are fears of a backlash, with the Government warning the booming robot industry it will face rising opposition from Japanese workers losing their jobs. The Government is also worried about the rising exports of industrial robots and possible charges from Japan's trading partners that it was "exporting unemployment". In a sane world, where it was accepted that the true purpose of production was consumption, and that production by labour-saving technology should result in greater leisure time, with security for all, robots would not be seen as a threat to anyone. However, providing the industrialised societies do not completely disintegrate into social anarchy, the increasing development of labour-saving technology is a dynamic, which could force a major change in financial policy.

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At last the truth about the Israeli pullback in the Sinai

desert, and the significance of an international peace-keeping force, has been admitted by an Israeli spokesman, confirming what all objective observers knew. Lt.-Col. Raman Gissen, Israeli Defence Force spokesman in Jerusalem, is quoted in sections of the Australian press on January 31, as saying that the peacekeeping force was an important confidence booster for the Israelis when they invaded Lebanon. Gissen said that while the Lebanon invasion would have gone ahead if the Sinai force was in place or not, it would have been riskier without the secure situation on Israel's southern flank. Australian Foreign Minister Mr. Hayden said that Lt.-Col. Gissen's assessment was the first suggestion he had heard about the Sinai peacekeeping force might have provided Israel with a confidence-building measure. Clearly Mr. Hayden has not been well briefed on Middle East realities, even though he has shown signs of challenging Israeli policies.

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It makes fascinating reading to look at what the different American financial gurus are predicting about the American economy. Some predict that the well-publicised American "recovery" is slowing because of the curtailment in the money growth. Others argue that the huge Budget deficit, the application of Keynesian economics, along with low wage rises, is enough stimulus to keep the "recovery" going for years — even if slowly. Then there are those who are still hooked on the old velocity myth, sometimes now known as the "multiplier factor", who say that the reduction in the rate of money creation is not over important if the velocity of circulation is rising rapidly. The velocity theory claims that an economy only needs a limited amount of money providing it circulates quickly enough. The only problem about this theory is that it bears no relationship to reality. As practically all money comes into existence as a debt, irrespective of how fast it circulates, the creators of the debt require that it be repaid plus interest.