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Breaking Up?

What documentary evidence there is open to inspection concerning the confused political reactions of the moment increases in volume, with a corresponding tendency to dilution. Notwithstanding the strain imposed on our space, compression would distort the picture, and we continue our extracts from the Debate of July 21, begun last week, without further comment, and postpone publicity for some remarks by Lord Ammon in the House of Lords on July 27:—

Mr. Churchill (Woodford): I shall venture to trespass for only a very few minutes upon the Committee, but topics have been referred to by the right hon. Gentleman in his speech which, perhaps, require some comment from me. The right hon. Gentleman is, I am sure, uneasy in his mind about the belated, persistent dismantling that is going on in Germany. He is uneasy in his mind about the very belated—or he should be uneasy in his mind—about the very belated bringing to trial of German generals, and in the mood that he is in he takes, I think, an altogether exaggerated view of any criticisms that were made by my right hon. Friend the Member for Bromley (*Mr. H. Macmillan*) in his very restrained and carefully phrased speech.

Hon. Members: Oh!

Mr. S. Silverman: I wonder what the right hon. Gentleman would say if he abandoned restraint.

Mr. Churchill: The hon. Gentleman is always intervening. On this occasion he did not even hop off his perch.

I should not have risen at all had it not been that the right hon. Gentleman felt so uneasy about those criticisms on the two points I have mentioned that he floated back across the years into the history of the war, and touched upon some large and important matters affecting our relations with the United States, with a view to throwing some invidious burden upon me personally; because otherwise there would have been no point in his doing so. [HON. MEMBERS: "No."]

I was a person very responsible in these matters, and I must say that the phrase "unconditional surrender" was not brought before me to agree to in any way before it was uttered by our great friend, our august and powerful ally President Roosevelt. But I did concur with him after he had said it, and I reported the matter to the Cabinet, who accepted the position. Whether if we had all discussed it at home we should have proposed such a settlement is another matter. Still, they did accept the position, as I, in my turn, on the spot, thought it right to do. I cannot feel that there can be any separation of responsibility between us in the matter, having regard to the long years in which we subsequently acted together.

Then the right hon. Gentleman rather used this episode to suggest that the difficulties in Germany were greatly aggravated by the use of this phrase. I am not at all sure that that is true. I am not going to plunge into a lengthy

argument, but I am not at all sure that, if Hitler had been murdered by some of the plots which were levelled against him by men whom I do not hesitate to call patriotic Germans, a new situation would have arisen. I believe there was the force and vigour to carry on the fight, as it was carried on, to the very last gasp. He and the band of guilty men around him were in the position that they could not look for any pardon or any safety for their lives and they would certainly have fought to the death.

Mr. Zilliacus (Gateshead) rose—

Mr. Churchill: I do not wish to give way, if the hon. Gentleman will permit me to continue. I have been rather seriously criticised by the Foreign Secretary trying, as it were, to throw all the discredit for unconditional surrender upon me. [HON. MEMBERS: "No."] If he did not mean that he did not mean anything. He is doing that because he is vexed with what my right hon. Friend said, though I thought my right hon. Friend's statement was very mildly expressed. It cannot be said that the decisions to which the Foreign Secretary has come about the prolongation of dismantling are connected in any way with the use of the phrase "unconditional surrender" by President Roosevelt, so why bring it in and extend the Debate into other circles, and into matters of really very great gravity?

Another matter to which the Foreign Secretary referred, about which I do not by any means feel so confident in my conscience as to the judgment of my actions, is the Morgenthau Agreement at the second conference—the document published by Mr. Morgenthau of the conference. There is an agreement; it was initialed by President Roosevelt and by me, and it undoubtedly proposed treatment of Germany which was a harsh treatment, in respect of largely limiting her to an agricultural country. But that was not a decision taken over the heads of the Cabinet. It was not one that ever reached the Cabinet. It never reached the Cabinet because it was only *ad referendum*; it was disapproved by the State Department on the one hand and by my right hon. Friend and the Foreign Office Committee on the other, and it just dropped on one side. I must say that it never required a Cabinet negative; it never had any validity of any sort or kind.

Nevertheless, I must say that I do not agree with this paper, for which I none the less bear a responsibility. I do not agree with it, but I can only say that when fighting for life in a fierce struggle with an enemy I feel quite differently towards him than when that enemy is beaten to the ground and is suing for mercy. Anyhow, if the document is ever brought up to me I shall certainly say, "I do not agree with that, and I am sorry that I put my initials to it." I cannot do more than that. Of course, many things happen with great rapidity, but to say it was done over the heads of the Cabinet, or anything like that, is quite untrue, and the Cabinet never agreed to it for a moment.

These two matters of great importance were brought in in order to justify the right hon. Gentleman in pursuing

the policy of dismantling, and some incidents connected with the trial of the German generals. I do not think the right hon. Gentleman need have brought such artillery back from the past to fire at me on such matters. I do not put the case with hostility against him. I consider that in the airlift and the treatment of the Berlin difficulty the Government and the Foreign Office—no one more than he—showed the very greatest determination, skill, good judgment, and tenacity, and their exertions over a long period were crowned by unmistakable success which has been of the greatest advantage to Europe, and very likely played a part in the closer drawing together of Britain and the United States, which has found its manifestation in the Atlantic Pact.

I was very much struck at the way in which all Germany watched the airlift, and how all Germany saw the British and American planes flying to carry food to 2½ million Germans whom the Soviet Government were trying to starve. I thought that was worth all the speeches that could have been made by all the peace leaders of Europe to turn the eyes of Germany to where her true destiny lies; namely, in peaceful and honourable association with the Western democracies and with the future into which they hope to lead the world under the auspices of the United Nations organisation. I indeed thought that was a very great advantage.

I must say that I personally was instinctively disappointed and chilled when I saw the dismantling policy, which has dragged and straggled on for four years, being a cause of upsetting this strong drift and tide of German sentiment which may be of very great value in the future. I could not help feeling that it was untoward. Of course, these things must in some cases be done. They should have been done, or could have been done, two years ago. That would have been all right.

But now, four years after, when Europe is in the midst of all this feeling of hardship and pressure, and of hopes of coming out of it again, to go on tearing down these buildings and solemnly proceeding with methodical routine on some agreement which now no longer has any validity or application to current affairs was, I thought, an error: not an error of major criminality, but a bad touch. I should have hoped that it would have been possible to have let that go. I should have thought it should have been brought to an end. I have said so several times in the last months, and I do not think it is a wrong thing for us to put that view.

Nor do I think that because I was present and supported President Roosevelt when he used the phrase "unconditional surrender" I am debarred from saying that at any time there should be a little give and take, and a different touch and handling in a sensitive manner of our relations with the German people. I am sure that the munitions which could be made by these factories which still remain to be dismantled would never do half the harm to the cause of peace, or to any future victory of the Allies against aggression, as is done by the great setting back and discouragement out of all proportion, of the German movement towards Western civilisation and Western ideas. I will not put it more than that.

As for the generals and so on, that, I think, should have been settled within a year or two of the end of the fighting; but to go on dragging these things out is simply feeding all the forces against peaceful solution and against passing the sponge across the past with opportunities for making up ill-will and bad feeling. I do not make this a serious case

of indictment against the right hon. Gentleman. In the main we approve of his policy, but he really must not get so very upset and angry when certain points and notes are struck, even though when they are struck from this side they awaken a very immediate echo on the benches behind him.

I have only one other thing to say, which I should not have referred to at all had I not felt it right to refer to the important topics which the right hon. Gentleman raised, and that is this question of our future meetings at Strasbourg. There will be a European Assembly at Strasbourg representing 10 nations.

Mr. Bevin: More than that.

Mr. Churchill: Maybe more. They will not necessarily consider themselves forced to agree with every dictat, ukase or regulation which is made by the Council of Ministers. They may not have any executive powers, but they will not be forced necessarily to accept the directions which come down to them from on high. Maybe, in the course of time, some method of adjusting quarrels, dispute and differences between the European Assembly and the European Council will be devised. Maybe we shall have a sort of Parliament Act and pass it to an fro to overthrow eventually the veto of the upper chamber. Anyhow, I think this had much better be left until we get there.

What questions we should be allowed to discuss is not a matter on which they must not express an opinion. Personally I should be very sorry to see military matters discussed, but I am bound to say that a European Assembly meeting together in these conditions should have a wide latitude to discuss matters of general interest not affecting the national safety of their countries and the combination of all the countries that there are. You will have to reckon on the views of the Assembly. You have called it into being reluctantly, and it is a fact, which I hope will not be easily removed from European affairs. I think it would be better for us to wait until we are assembled there and see how the Assembly chooses to act, what its thoughts are and what its political divisions are and may be. I hope and trust that the right hon. Gentleman will make sure that if there is a desire expressed, not only in the Assembly but in the Council of Ministers, that broad views shall be taken and good latitude given to the Assembly, he will not be the principal person to offer resistance, because he may not find himself possessed, either in the Council of Ministers or in the Assembly, of the large majority he commands in this House.

Mr. Bevin: Perhaps I may be allowed to make an explanation, because this is very important internationally. In regard to unconditional surrender, I want the House and the right hon. Gentleman to be clear that what I was saying was that the use of that phrase meant that the whole constitution was smashed and that our military governor and the military governors of the Allies have had to build up right from the bottom. Therefore, I do not think the criticism of the right hon. Gentleman the Member for Bromley (Mr. H. Macmillan) was justified—he did take that into account. I do not complain at all of Mr. Roosevelt making the statement, and I do not complain at all of the right hon. Gentleman agreeing. I do not complain, because I agreed that in the circumstances the right hon. Gentleman could do nothing else but agree; I stood by that and never said a word in spite of all the criticisms of my own party that followed. I do not think the right hon. Gentleman will

accuse me of ever being disloyal to a Cabinet decision in the end.

In regard to the European Assembly, all I shall say is this: That it is an infant institution and that I am not laying down any laws or rules as to what should be discussed or not discussed. What I beg of the right hon. Gentleman is that we should learn to walk in the European Assembly before trying to run. This is really a very delicate instrument which I have nothing to do with except as a member of the Committee of Ministers. It is in a very complicated stage, as we are involved in O.E.E.C. and the other things, and all of us, including the right hon. Gentleman in his wise old age and myself in my infancy, I hope may combine together to steer it along the right lines.

Mr. Churchill: I did not have this quotation on the subject of unconditional surrender when I first made my speech, but perhaps the House will allow me now to give it. Here is what I said:

"The principle of unconditional surrender was proclaimed by the President of the United States at Casablanca, and I endorsed it there and then on behalf of this country. I am sure it was right at the time it was used, when many things hung in the balance against us which are all decided in our favour now. Should we then modify this declaration which was made in days of comparative weakness and lack of success now that we have reached a period of mastery and power?"

I am clear that nothing should induce us to abandon the principle of unconditional surrender and enter into any form of negotiation with Germany or Japan, under whatever guise such suggestions may present themselves, until the Act of unconditional surrender has been formally executed. But the President of the United States and I, in your name, have repeatedly declared that the enforcement of unconditional surrender upon the enemy in no way relieves the victorious Powers of their obligations to humanity or of their duties as civilised and Christian nations. I read somewhere that the ancient Athenians on one occasion, overpowered a tribe in the Peloponnesus which had wrought them great injury by base treacherous means, and when they had the hostile army herded on a beach naked for slaughter, they forgave them and set them free, and they said:

'This was not done because they were men;
It was done because of the nature of Man.'

Similarly, in this temper we may say to our foes, 'We demand unconditional surrender, but you well know how strict are the moral limits within which our action is confined. We are no extirpaters of nations, or butchers of peoples. We make no bargain with you. We accord you nothing as a right. Abandon your resistance unconditionally. We remain bound by our customs and our nature.'—OFFICIAL REPORT, 18th January, 1945; Vol. 407, c. 423-4.

I venture to rest on that.

Mr. Crossman (Coventry, East): I find it difficult to intervene in this combat of reminiscences from the two Front Benches. . . .

I was very interested when the right hon. Gentleman referred to the generals who sought to overthrow Hitler on July 20 as "patriotic Germans." If he had permitted us to say that on July 20 and 21 we might conceivably have enabled that revolt to succeed. I shall never forget the night when we got the news, after midnight, of the attempted assassination of Hitler, and we had to decide what to say. We telephoned the right hon. Member for Bournemouth (Mr. Bracken) who said, "It is an invention of Goebbels, and say that it is." Fortunately, we did not take his advice . . .

. . . The right hon. Member for Woodford said if German factories were producing munitions today they would be doing less harm to the peace of the world than they would if they were dismantled.

Mr. Churchill: I said nothing of the sort; what I said was that it was probable that more danger was being done to the future peace of the world by chilling German sentiments towards the West than would be done if these factories were at some future time used for making munitions. . . .

I am strongly in favour of the enforcement of the disarmament of Germany. I have never said anything to the contrary. Most of these factories are not concerned with military matters at all, and others only indirectly, and it is from that point of view that I think the question should be reviewed. The hon. Member is now trying to fasten upon me the whole lot of ideas which I have never harboured.

March of the Turf Cutters

Over 500 people, says the *Dundee Courier* for July 25, dug turf (peat) in the blazing heat of the previous day and "dug to such effect that nearly a mile of fencing fell." The scene was Alyth Hill and the *Courier* carries forty-four square inches of photographs to illustrate this Scottish protest. The story is as follows:—

The Alyth Commonalty Committee sought to bring national attention to the fact that the Hill has been fenced.

The diggers were feuars, or people working on behalf of feuars, who claimed the right to cut turf for fuel.

The fact, they said, that digging was confined to the area of the fence posts and that the fence came down was incidental. It had no right to be there.

Holidaymakers were among the crowd who trudged a mile and a half up the steep, rocky path to the Hill.

The marchers were met by police. The two resident constables had been reinforced by three constables from outside, with Inspector David Young, Blairgowrie, in charge.

The dispute started over a year ago when the first fencing went up, and has gained tempo lately.

Over 200 acres had been fenced by farmers who hold grazing rights on the Hill. Gates were left for access by the public. The fence has frequently been cut in protest.

Councillor W. Mackie told a reporter that in his efforts to support the claim for the freedom of the Hill he had searched out records going back to the 12th century, but most of the history connected with it dated from the 14th century.

Mr. George White, chairman of the Commonalty Committee, who was a war-time marine radio operator and now works in a Dundee shipping office, addressed the gathering before it marched off.

He said the demonstration was to bring the situation to the notice of not only the Town Council and the local inhabitants, but the whole of Scotland, and to get public opinion aroused.

In a few minutes the first posts were coming out of the ground. Crowds of women arrived to cheer on their men-folk.

As the posts began to come down Inspector Young and the constables stepped forward. They were greeted with cries of "They are fighting for their birthright." The inspector asked the men digging round the posts to give their names, but the men refused and went on digging.

Councillor MacGill said they had gone a long way to demonstrate they meant business.

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From Week to Week

The name of the "American" Communist arrested and deported for having entered this country for the purpose of fomenting the dockers' strike, is Goldblatt.

We trust that this will not still further complicate the Palestine Problem, and also widen the dollar gap.

According to the *Jewish Chronicle* of July 15 "Mr. Victor Mischon has been selected as Labour candidate for North West Leeds."

Whether this is the family name of Mr T. C. Pannell, who has been elected on the Labour vote for West Leeds, we cannot say.

Owing to the device of the "secret" ballot, it is impossible to state the general nature of the vote. We are fairly confident that an open recorded vote would have disclosed that a large majority of the Socialist vote was either first or second generation alien.

Leeds has the largest percentage of Jewish voters of any English city.

We do not always see eye to eye with Lord Vansittart, but in stating that Communism is not a party, but a conspiracy, he is performing a public service. The Press shies at the word "conspiracy" like a horse at a firecracker.

No-one who has taken a genuine part in an attempt to rectify matters of moment can avoid the conclusion that there is always present an intangible, Evil, factor which defies complete identification. In these days, it is more true than ever that "we wrestle not [alone] with men, but with Principalities and the Powers of the Air."

There is a large body of opinion which is simply impervious to evidence of a world conspiracy. It is not lack of intelligence, and it is not, in consequence, open to conviction by argument. Generally it claims mental superiority to "such nonsense." It is hypnotised, and requires the services of an exorcist, not a political economist. It is blind to such obvious lunacies as that Western European production was 13 per cent. greater in 1948 than in 1938, that there is a glut of foodstuffs in all the food-producing areas, that we are exporting half as much again as before the war, and yet the pound is nearly worthless, that we are exporting 68 per cent. of our motor vehicle output, and yet the economic and political position of once-Great Britain is worse than it has been for a century.

"Announcing that he had allowed the Chancellor to spend the trifling amount of his own money needed for a stay in a Swiss Clinic, Mr. Attlee justified this magnanimous gesture . . . and it is a sufficient commentary on the extent to which we have sunk into a state of affairs which would

have seemed inconceivable a bare twenty years ago. . . ."
 —*The Tablet*, July 23.

And it is a sufficient commentary on our fantastic electoral system that it is a demonstrable, mathematical certainty that the Administration which has brought us to this pass will be again, in one form or another, returned at the next election. And then we talk about free-will.

MOONBEAMS FROM THE LARGER LUNACY: U.S.A. Marshall Plan spokesman: "The world is now faced with a buyers' market. This necessitates greater production and lower costs."

Since people want less, let's make more.

If ever a country showed every sign of preparing, gleefully, to sign its own death-warrant it is once-Great Britain *vis-a-vis* the coming general election. We have always contended, and we still contend, that there is something which can be described, for want of a better term, as democracy, which consists in essence of facilitating the aspirations of all individuals where this can be done out of the unearned increment of association, but not at the *expense* of either the community or the privileges of others. But the fantastic nonsense so favoured alike by Mr. Churchill, President Truman and Stalin, as evidenced by their use of the word to indicate varieties of tyranny, bureaucracy, and decadence, is a carefully designed and contemplated system of sabotage, Satanic in origin and toxic in intention.

PUBLIC OWNERSHIP AND CONTROL: According to the Member for West Perth and Kinross, the Post Office propose to "take powers" to force anyone, at the Post Office's discretion, with a telephone, to consent to a "party" line, on which any conversation can be heard by either party.

To comment that the Post Office, and its so-called services, is a standing disgrace, of which it is difficult to single out one aspect as worse than another, is perhaps not very helpful.

But we have no doubt as to the first step required to open the way to a better state of affairs, and that is a drastic cleanout of the dominant Masonic element.

But that will only come with the hurricane which is blowing up.

"In all the essentials, the Labour Government in Britain is now following the economic road constructed by the Nazis during the years immediately preceding the war. This is not less true because of certain secondary differences. One must not be deceived by the fact that the English are not seriously affected with anti-Semitism. . . ."

"In some other respects the parallel is not altogether complete. For instance no English Socialist—most certainly not Sir Stafford Cripps—has demonstrated the ability that Hjalmar Schacht and his colleagues displayed in making *Autarky* work in pre-war Germany. Although it led to war, the Nazi closed economy succeeded temporarily even against bitter American opposition. In Britain it is failing, even with lavish American support." —*Human Events*, Washington, U.S.A.

And so the myth that Hitler's policy was not a Jewish policy, like the murder of the six million Jews, rolls on, in the face of the pursuit of the same policy in Jew-controlled "Britain" and Washington.

PARLIAMENT

House of Commons: July 14, 1949.

Gold Price

Mr. Stokes asked the Chancellor of the Exchequer under which clause of the International Monetary Fund it is laid down that the United States Treasury fixes the selling price of gold.

Mr. Jay: The price of gold in the United States is determined by the gold content of par value of the dollar which is fixed by United States law. Under Article IV of the Fund's Articles, the par value cannot be altered except after consultation with the Fund.

Mr. Stokes: Yes, but that is not the Question I asked. I asked the Chancellor of the Exchequer if he would say who fixes the price of gold. He said it was the United States Treasury, under the International Monetary Fund. I have searched the International Monetary Fund rules, and I cannot find under which rule this is done. Now I am asking the Economic Secretary if he will tell me.

Mr. Jay: If my hon. Friend is asking who fixes the American price of gold, then I must say I do not think that it is strictly the responsibility of His Majesty's Government to answer. As a matter of fact, however, it is the United States Government who do so.

Mr. Stokes: I asked under what rule of the International Monetary Fund is it laid down that the United States Treasury fixes the price of gold, and I have had no answer.

Mr. Jay: It is by the Gold Reserves Act, 1934, of the United States of America that the United States Government, with the consent of Congress, fix the monthly price of gold. By agreement, at the time of the setting up of the International Monetary Fund, the United States Government also undertook not to alter the price without consulting the Fund. I hope my hon. Friend is satisfied with that.

Mr. Stokes: Does my hon. Friend mean that the United States agree not to alter it without consulting themselves? That is all it really amounts to.

Mr. Jay: I said "without consulting the Fund."

ECONOMIC SITUATION

Motion made, and Question proposed, "That this House do now adjourn."—[*Mr. Whiteley*.]

The Chancellor of the Exchequer (Sir Stafford Cripps): . . . Members have before them. I hope, the short document* we have prepared for this Debate providing a comparison between what we have actually experienced in the first half of this year and our forecasts as set out in the Economic Survey . . .

Mr. Stokes (Ipswich): . . . I said the other day that it is about time Canada was brought into the sterling area, and now that the Canadian Finance Minister is over here I wish to say it again. One of the senior Members of the Government challenged me outside the House and asked how I proposed to do it and if I proposed to send a couple of tugs over to pull her into Europe. It does not depend on geography at all; not the slightest bit. It seems odd that Canada should be in the British Commonwealth of Nations and yet refuse to accept the family tickets. I can see the convenience to Canada, but if we look at the trade figures

*For copy of document, see end of Debate.

we shall realise that we cannot go on very much longer like that.

Last year we bought £146 million more goods from Canada than she bought from us and that is about 584 million dollars out of balance. On the other hand Canada bought from the United States 305 million dollars worth of goods more than she sold and we had to provide those dollars. That is absolutely crazy. . . .

. . . I was speaking about my medium-term policy for curing our present problems, the second point of which deals with the question of unrequited exports and blocked sterling arising from the war, to which several previous speakers have already referred.

I suggest a very simple method. I do not propose we should default on them, but I should like to send a bill to India, Egypt and Irak and others to the full amount of the blocked sterling arising out of the war, requesting them to put a twopenny stamp on it, and charge the Indians for having saved them from the Japanese, the Egyptians for having saved them from Rommel, and the Irakis for having saved them from the Communists. That seems to me to be a simple and not unfair way of dealing with the matter.

The present position is quite crazy. In the olden days when any nation engaged in war it beat up the other man, stole his women, children, goods, cattle and lands, and made him pay for whatever had been lost in the process. After the 1914-18 war we tried to make the Germans pay but found that it did not work. We did not try to do that after the last war. On the contrary, America, ourselves and others have done an enormous job of work and have contributed largely towards putting the Germans on their feet again, while at the same time being milked, through these unrequited exports by the use of sterling balances by the people whom we saved. The Governments of the world should get together and realise that the best thing to do now is to wipe out the lot completely and forget it.

My third point, and this is very important, is to press the Chancellor to set about getting the price of gold revised. I objected strongly to Bretton Woods, and complained about going back to a gold standard. It never occurred to me at the time, otherwise I should have protested much more strongly, that it was a return to a gold standard with gold fixed at an entirely fictitious price. We have today a so-called free market—it is a limited market I agree—where the price is £22 10s. per fine ounce, but under Bretton Woods the price paid for 40 million ounces of gold in 1948 by the U.S.A. was £8 12s. 3d. In consequence what has happened is this: last year the United States made about £560 million, that is about 2,200 million dollars merely by buying gold at £8 12s. 3d. and hoarding it at £22 10s.

I wish to argue that a change should now take place. When I asked the Chancellor of the Exchequer who fixes the price he said it was fixed by the United States Treasury which astonished me. When I put down a Question the answer I got from the Economic Secretary today was completely phoney. It was a reply prepared by one of the "back room boys." What they said was that the United States Treasury fixes the price of gold in the United States. That I can understand, but what I am interested in is who fixes the world price for gold. I agree that if 40 million ounces of gold were allowed to go free on the open market it is possible that the price of gold would not stay at £22 10s.; but I am sure that it would not go down to £8 12s. 3d.

The proof is that nearly everything we buy today costs three times what it did before the war—grain, machinery, iron and steel and the rest of it. Yet funnily enough gold, the monetary basis of value of all these things, is only valued at twice as much as it was in 1938.

I want to know why the Chancellor of the Exchequer, as reported at a Press Conference the other day, replied when it was pointed out to him that Mr. Petcher suggested to Mr. Snyder that the price of gold should be raised, replied:

"I do not share the view and had no part in putting forward such a view. I do not think it [raising the price of gold] would solve our problems."

He did not give any reason why and I should have thought from the figures I have, apart from automatically bringing about a greater expansion in dollar availability, it would have closed the dollar sterling gap to the tune of £321 million. That is over half of the gap which we expect to have this year of £478 million. There is a good reason why this revision should be done. It is laid down in the Articles of Agreement of the International Monetary Fund, Article I, Clause (2); that the object of the members of the Fund, which includes the United States and ourselves and other people, is:

"To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment. . . .

Since then there has been the International Trade Organisation the declared object of which is to bring about full employment.

It is clear that whatever else should be taking place in the world today, this restrictionist value on gold and the consequent shortage of dollars is bringing about a high level of unemployment in the United States itself, and by so doing will affect the rest of the world. So we have the right to go to the members of the International Monetary Fund and demand a revision in the price of gold. This would make an enormous difference to the Commonwealth; to South Africa. It would put the Gold Coast on its feet again. Now only 600,000 ounces of gold is produced there because most of the low bearing ore is unworkable at the present price and most of the mines are closed down. It would make gold operate in the way it was intended to operate instead of the way it should not operate. It is crazy to have goods costing three times as much as in 1938 and the base metal being valued at only twice as much.

I wish to put this to the House. Is it not a completely idiotic situation to have a yard stick which does not in any way keep pace in value with the capabilities of the world to produce goods and services? I have often referred to the bus ticket analogy and the hon. Member for East Aberdeen agrees with me. Here we have a more idiotic situation. It was silly, before we decided how many buses we were to have and where they were to run, to sit down at Bretton Woods and argue about how many tickets we should print. But here we have a worse situation; we have three of four times the amount of buses and only issue about half the number of tickets. It is even more insane than what I regard as the ordinary monetary system. Gold must have a restrictive effect. So the buses are all empty and trade cannot go on.

I hope that as a result of my arguments the Chancellor of the Exchequer will take a little notice of these matters

and will take much less notice of those "back room boys." I should like to get into the Treasury and have a thoroughly good purge there. The main cause of the trouble is that some of those people are living in the dark ages and they should get some new ideas into their noddles. Then I think we should get international trade on its feet again very speedily.

I agree with what other people have said that this is a world problem, and not merely a battle between the United States and ourselves. I do not know whether it is practicable, but I should like to see a sterling-dollar area. I should like the United States Government and ourselves to declare that wherever the dollar runs there should be four dollars to the £, and wherever the £ runs it would be worth four dollars. They do not run their currency on gold in any case. The amount of their fiduciary issue and the rest is not measured against the amount of gold hoarded in the vaults at Fort Knox, which must be something pretty formidable; something like 24,000 million dollars worth of gold is stocked there. [An HON. MEMBER: "It is £6,500 million."] If we revalue the gold that becomes worth 72,000 million dollars which would be available for broadening the currency issue. But I do not believe they take any notice of the amount of gold there and it would be much easier to follow the much simpler solution of stopping the digging for gold altogether. There are 500,000 people busy on this idiotic sport of taking it out of one hole and popping it down another and those 500,000 people could be put on a much more useful service, but if to gold we must all be pegged we must go on digging for it.

There are three alternatives before us. Either we can give away our surpluses. If we produce too much we can give it away, which is not at all a bad thing to do—call it Lend-Lease or Marshall Aid or what have you. Or we could lend money to people who have not got it in order to enable them to buy the surpluses; which is called investing in a foreign country and what usually happens in the end is that they default on it. Or we could change our payment system.

I wish to draw the attention of the House to a report from the Federation of Chambers of Commerce of the British Empire which was held in South Africa in September of last year where what is known as the 20th century economic system was closely examined. That Congress stated:

"... Congress has closely and critically examined the London Chambers proposals, and is satisfied that, basic and comprehensive as they are, they merit a thorough and immediate investigation at the hands of Commonwealth Governments with a view to their early adoption."

Before I tell the House what it is all about I wish to ask the President of the Board of Trade if he will tell us whether this proposal is receiving consideration by the Commonwealth Ministers while they are over here? What it means is this. Instead of doing what we do now which is endeavouring to pay an exporting country with the currency of that exporting country, we should pay the exporting country with the currency of the importing country.

At the present moment if we want to buy from America we must pay in dollars. America makes it impossible to get dollars unless she gives them to us, and she is getting tired of doing that! She will not buy goods from us, but there is no means of getting the dollars unless we sell her our goods, and yet we have to pay dollars for everything we get from America. Under my system she would be paid in

sterling. I know that she thinks she would not like it very much at the moment, but there would be a day-to-day check of exchange of goods between countries at a central clearing house, and there would be a statutory limitation on the out-of-balance which, after a period of say five or seven years, should be written-off as un-negotiable.

In the case of anybody out of tune for example to the extent of £2,000 million of rights to exercise a lien on goods in this country, at the expiration of five or seven years the amount would be torn up. It would be a very good system indeed. I am not going to start to develop the details of this system because it would take too long, but I do emphasise it because it has the approval of chambers of commerce in this country and it has been endorsed by the Commonwealth chambers of commerce in South Africa who have asked that it should be examined. I would like to know if that is going to be done.

I should like to refer to one point of the hon. Member for East Aberdeen with which I agree, that the whole problem is one of exchange of goods and not goods versus money all the time. We are still living in a completely out-dated monetary system. . . .

Mr. David Eccles (Chippenham): . . . It happens that I met a foreigner last week who all his life has been a friend of this country. He described the problem to me in highly significant words. This man is a Scandinavian ship-owner whose fleet of vessels earn sterling freights which are paid into his bank in London. He also has two new ships building for him in British shipyards. Until recently he has allowed his freights to accumulate and, from that source, he has made payments on account of the ships under construction. Now, however, the day he receives his freights he takes his pounds away and only brings them back at the last moment before a progress payment falls due. When I saw him he had just been upbraided by his banker for this loss of confidence in sterling. I weighed in on the side of the bank, and then this man gave me his reasons for refusing to hold a sterling balance even for one night. It is those reasons which I commend to the House because they are, as it were, a slice cut from the living flesh of the crisis.

He said that to hold another currency was to invest in the solvency and stability of that country, and the only test by which one could judge of that stability was to look at the reserves behind the currency. That is what he had done and he had seen unmistakably that the British reserves had been allowed to fall far below the safety level. He said we had no reserve of labour, we were fully employed—[HON. MEMBERS: "Ah!"] I am giving the House a fair description of what he said. He said we had no reserve of labour and had not discovered how to persuade men doing unnecessary jobs to go and do more necessary jobs. He said we had no reserve of savings, that the Government's capital expenditure this year would not be covered by a true Budget surplus, and he saw no hope of a revival in personal savings. He said this must be so because Socialist policies had eaten up all the reserves of taxable capacity, and that British Government expenditure was rising rapidly beyond the revenue which any Chancellor could collect.

Then he went on to describe our gold reserves as quite inadequate from whichever way he looked at them. He said that £400 million was too low when compared with the volume of foreign-owned sterling in London; it was too low

when measured against the gap in the balance of payments on the United Kingdom alone; above all, it was quite inadequate for the trade and banking requirements of the sterling area. He asked, did I not think it appalling that London, the central banker of the Commonwealth and Empire, should be brought to her knees by a three months' decline in American purchases of raw materials? I took him up on one point—the point which has already struck hon. Gentlemen opposite—and asked him if he was really suggesting that we ought to have a reserve of unemployed labour. He replied that what he had meant was that a fully employed society doing the wrong things would find it exceedingly difficult to change the pattern of employment and do the right things, and that when he saw so many people here employed on non-productive work he set that down as a weakness which we could not afford, all the more so because our other reserves had been robbed to finance the Socialist experiment.

Subject to the point about unemployment, to which I shall return later, I ask the House to agree that my Scandinavian acquaintance put his finger on the central truth of the crisis: that we cannot hold together the financial system of the sterling area unless we begin now to rebuild the reserves of gold, savings and taxable capacity. If we shrink from doing so—indeed, this kind of shrinking was the Chancellor's message today—the sterling area will break up and one by one its members will go to the United States for the credit, the capital and the monetary security which they must have if their individual development and progress are to go forward. . . .

. . . If these American subventions prove incapable of stopping the drain on our gold reserves—and nothing the Chancellor told us this afternoon makes us think that that will not be so—then indeed we shall have unemployment, and we shall have it under the worst possible conditions, because all our hard currencies and our credit will be used up, and there will be no room to manoeuvre in any direction.

Are the party opposite ready to face up to what it is necessary to do to avoid this kind of blind, brutal, massive unemployment? If they are they must strip the economy for action; they must clear the decks of all the superfluous cargo with which the Socialist Party have cluttered up the ship so that it is impossible to handle her even in the light breezes of a mild recession in world trade. The measures to be taken fall into two categories, those which are purely domestic and those which demand international co-operation. At home we need a clear and dramatic objective which can be held up to our people as the hallmark of action to improve our competitive position. It may be that the experts say that there are 50 different things that we ought to do, but from the point of view of people and politics we need to find something dramatic which we can do.

I do not know whether it is true, but I am told that the Government have been thinking of export subsidies. I hope that that is not so. Export subsidies are a very poor instrument, for they do not relieve the inflationary pressures; indeed they make it easier to sell goods which have cost even more than they cost today. The objective to which I would work is the withdrawal of the White Paper on incomes and profits. That is an attempt by exhortation and thinly-veiled threats to freeze the rewards of industry; it suffocates expansion, it kills growth and takes the heart out

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of the thrusting and ambitious members of our community. . . . Can hon. Gentlemen opposite tell us of any other way by which this White Paper, which does so much damage, can be withdrawn, except by reducing the taxes that press so hardly upon the cost of living? They may say that it should be done by cutting profits, but can it? Let us look at the proposition mathematically. The fact is that the profit margins—a farthing a pint on beer is a good example—are too small to make any great impression on the cost of living. If that is not so, I would be grateful if some hon. Member would prove me wrong in the Debate on Monday. What I think should be even more convincing to hon. Members opposite is that if profits are wiped out, then of course the yield of the Income Tax diminishes, and the Chancellor finds himself compelled to raise more taxes from the wage earners in order to make good the loss of revenue from company profits. There is no escape from that, and there is no means of reducing the cost of living quickly and rapidly other than by reducing the taxes which fall upon the things that people buy and on the costs of production.

I suppose that hon. Gentlemen opposite will retort that

such reduction in the taxes must curtail the activities of the welfare State upon which, they say, the British people have set their hearts. They would be right about the consequences of large economies in Government spending; but are they so sure that they are right about the wishes of the people? The wage earners now form the main body of the taxpayers. How many of them are beginning to question the cost of Socialism, which they were led to believe would be paid for by somebody else? All of us go about our constituencies and we notice a change of view upon this point. Hon. Gentlemen opposite notice it as much as I do. The Government have not the courage to interpret this changing point of view. We see them denying that there is among our people today an uneasiness at the burden of taxation which is placed upon them. The Government act as if the present level of their expenditure—which was never once mentioned by the Chancellor in his speech today—were a sort of sacred ark for which everything the housewife buys and everything the family enjoys must be sacrificed ruthlessly and without a murmur of protest. That is not the way to revive the vigour and spirit of the British people. . . .

Following is the document referred to by the Chancellor of the Exchequer:

BALANCE OF PAYMENTS TABLES

The attached tables have been prepared, for the information of the House of Commons, in accordance with the undertaking given by the Economic Secretary on Thursday, July 7 [OFFICIAL REPORT, Col. 2352]. They represent the best estimates at present available but all figures must be regarded as extremely tentative.

TABLE A
STERLING AREA GOLD AND DOLLAR DEFICIT
FIRST HALF 1949

£ million

	January-June Provisional	Economic Survey	Difference
I. United Kingdom			
Imports ...	-207	-207	—
Exports ...	+ 88	+100	- 12
Other payments and receipts (net).	- 41	- 23	- 18
U.K. Deficit with Dollar Area.	-160	-130	- 30
II. R. S. A. Deficit with Dollar Area.	- 37	- 15	- 22
III. Gold and Dollar payments to non-dollar countries.	- 42	- 50	+ 8
IV. Total net gold and dollar deficit.	-239	-195	- 44

TABLE C
VOLUME OF U.K. EXPORTS, 1938=100
FIRST HALF 1949

January ...	162
February ...	143
March ...	162
April ...	140
May ...	153
June ...	(144)*
January-June ...	150½
Economic Survey forecast for January-June ...	150

*Subject to amendment.

TABLE B

UNITED KINGDOM BALANCE OF PAYMENTS WITH REST OF WORLD
FIRST HALF 1949

£ million

	January-June Actual (Very provisional)	Economic Survey	Difference
Imports f.o.b. ...	950	960	- 10
Exports and re-exports (f.o.b.)	905	910	- 5
Invisibles (net) ...	*	+ 35	*
Deficit or Surplus	*	- 15	*

*No estimate (even approximate) is yet available for invisibles.

TABLE D

VALUE OF U.K. EXPORTS AND RE-EXPORTS BY DESTINATION
JANUARY-MAY COMPARED WITH ECONOMIC SURVEY

£ million

	January-May (Trade and Navigation Account figures)	Monthly Average	Economic Survey January-June monthly average
Western Hemisphere	113	23	27
Sterling Area ...	395	79	73
O. E. E. C. Countries	193	38	36
Other Countries ...	74	15	16
	775	155	152

Note.—Figures in the first two columns are derived from Trade and Navigation Accounts which record export *shipments*. They are not, therefore, completely comparable with the estimates for the first half-year in Table B, or the Economic Survey forecasts which are on the basis of export *receipts*.