

THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

Vol. 24. No. 22.

Registered at G.P.O. as a Newspaper.
Postage (home and abroad) 1d.

SATURDAY, JULY 29, 1950.

6d. Weekly.

"Korea"

By B.J.

In 1943 the Allied Foreign Ministers assembled in Moscow founded the United Nations Organisation, and from that moment the Allied Powers were increasingly referred to in the World Press as the United Nations. At a succession of Conferences held from 1943 to 1945 the political and military leaders of the "United Nations" came to a number of important, mostly secret decisions, all strengthening the hands of Washington and the Kremlin at the expense of Great Britain and her Empire.

Every one of the many world organisations which were launched under the auspices of U.N.O. contributed to the consolidation of the division of the world into spheres of influence controlled by America and Russia, and all of them contained a large number of Zionist Jews in key-positions.

Although created with the aim of preventing further world wars, U.N.O., like its predecessor the League of Nations, set about creating new sovereign territories. The setting up of a Republic of Korea in the Far East and of the State of Israel in the Middle East are cases in point.

In 1945, when the Americans occupied the Southern part and the Russians the Northern part of Korea, U.N.O. was officially launched at San Francisco and the member-states, none of whose representatives had been chosen by their own peoples, signed the United Nations Charter. This Charter, which enumerates the well-known "Rights" of peoples to self-determination *etc.*, was flown from San Francisco to Washington by Alger Hiss, a high official of the State Department who had taken a prominent part in the Conferences of Yalta, Bretton Woods and Dumbarton Oaks, and who was made secretary-general of the U.N. Conference on International Organisation in 1945. At the end of the war, China was held to be one of the Big Four of the United Nations by the World Press, but her position had already been undermined when Roosevelt agreed to Kremlin's claims on Northern China. General Marshall's demand at Peking in 1946, that the Nationalist Government should "widen its cadres" to contain representatives of "Chinese" Communism was moreover a blow to Nationalist "face" from which General Chiang was never to recover.

In 1947, the Assembly of U.N.O. decided by vote that Palestine be partitioned between the Jews and the Arabs, and when, in May, 1948, the Jews, in complete disregard of the U.N. time-table declared the Independence of the State of Israel, President Truman, without even informing the U.S. delegation at Lake Success, at once gave *de jure* recognition to the Jewish "State." About the same time, the U.S. Government "sought permission from the General Assembly of U.N.O. to proceed with the election of a National Assembly in those parts of Korea where it had access" (Whitaker, 1949) and on July 12, 1948 the "South Korea Legislative Assembly adopted a new Constitution for the Republic of Korea."

As both the Republic of Israel and the Republic of South Korea were god-fathered by the Internationalists at Lake Success, the attitude of U.N.O. to the international developments which resulted from the consolidation of the two young "democratic" republics, is instructive.

When the Jews, having declared their Independence of every national power connected with Palestine, proceeded to drive the native Palestinians from their homes by terror-tactics involving the use of tanks and bombs, the two pillars of U.N.O., "America" and "Russia," were revealed as close partners of the aggressors. When the aggressors were stopped, temporarily, by the Arab armies—the clash took place *outside* the territory allotted by U.N.O. to the Jews—U.N.O. instead of inviting its member-states to assist the Arab forces to stop the Jewish aggressors, limited itself to issuing orders of cease-fire (which proved advantageous to the aggressors) and to sending an International Mediator (whom the Jews murdered). So far from insisting on demilitarisation of the Jewish State, which continues to this day to increase its army, and is daily strengthened by the arrival of potential soldiers from every ghetto in the world, one member-state of U.N.O. after another decided to follow Mr. Truman's example and "recognise" the State of Israel. At no time was the Arab-Jewish war regarded by U.N.O. or the World Press as a potential threat to the peace of the world.

Returning now to the subject of Korea, we find that the Americans, having set up their Republic, withdrew their armies of occupation, leaving a U.N. Commission to watch, perhaps to guide, the administration along "democratic" lines. According to most reports, however, this democratic experiment proved a failure, the natives were incapable of taking responsibility or even an interest in administrative matters, and we suspect that Mr. Roth, contributor to *The Scotsman*, comes near the truth when he states that the territories on both sides of the 38th parallel are, in fact, police-states. All during 1949, intelligent Koreans of both sides must have watched with bewilderment the gradual Communisation of China and the final retreat of the once powerful Nationalist Generalissimo, one of the former pillars of the United Nations to the island of Formosa, with little or no protest from the Internationalists at Lake Success. What must have been their amazement when Great Britain, a leading "democratic" Power decided to recognise the Communist regime in China? Nothing in the half-hearted equivocal "resistance" offered by the Western Powers to "Communism" in the East could have indicated to the inhabitants of South Korea that their "cause" should one day be embraced by nearly all the member-states of U.N.O. and their territory held up as "the light-house of freedom" in the World Press. The fact that the ultimate aggressor is still a member of the World Organisation which is attempting "to stop a world war" by enlisting half the world in the Korean Crusade may, possibly, cause some Koreans, and others, to suspect that

other reasons, besides the desire to stop aggression in Korea, weighed with the leaders of the "United" Nations when Mr. Truman and Mr. Attlee ordered their armed forces to support "the Republic of South Korea."

It does not take much reading between the lines of the daily press to realise that there were in fact other and important reasons why "policy must now be carried on by other means," if the whole machinery of international arbitration built up since the war should not collapse. In the U.S.A. Mr. Alger Hiss, one of the most promising of the young internationalists, was early in 1950 convicted of perjury with the implication that he had been part of a pre-war Communist apparatus at work within the White House itself.

The position of the U.S. Foreign Minister, Mr. Dean Acheson, a friend of Mr. Hiss and Mr. Felix Frankfurter, was first being undermined by what the Press calls "extreme and irresponsible" sections of the Republican Party. The fall from power of another leading New-Dealer, Mr. David Lilienthal, of the Atomic Commission under whose regime Communists had been given access to Atomic secrets was followed by disclosure after disclosure, revealing that the U.S. State Department was corrupt from top to bottom. And, as bewilderment and hysteria spread among the American masses it became obvious that the carefully built-up legend of America as the moral leader of the world, with a natural right to a place at the top of the table in any international Organisation, was in jeopardy.

Across the Atlantic, there was a growing resistance, centering round, if not actually emanating from, Mr. Ernest Bevin, to further U.S. sponsored plans for the "unification" of European economic and political life, a resistance which was brought to a head when the Labour Government refused to discuss the Schuman proposals. Shortly before that happened, Mr. Attlee had received at the House of Commons—in a purely private capacity—the visit of Mr. David Lilienthal, formerly of the Atomic Commission, and Mr. Leo Amery, accompanied by his son Julian, had paid a visit to Israel and Transjordan, all of which may have some bearing on the sequence of events listed hereunder:—

JUNE 12: The British Labour Party publishes its statement on *European Unity*: "It is neither possible nor desirable to form a complete union, political or economic in this way." [*i.e.* by surrendering constitutional powers to a supra-national authority.] The Report is virulently criticised by Marshall Aid Officials, U.S. Congressmen and Senators and by the United Europe adherents among the British Conservatives.

JUNE 20: A Conservative-Liberal motion is tabled urging the British Government to take part in the German-French talks on the Schuman Plan for merging the iron and steel industries of Europe.

JUNE 23: Sir Oliver Franks, British Ambassador to Washington, formerly a Professor of Moral Philosophy at the University of Glasgow, asks Mr. Paul Hoffman, a leading Marshall Aid administrator, and a former director of the Studebaker Corporation, to read a letter written by him to the Senate Foreign Relations Committee, explaining the British Government's attitude to the Schuman Plan.

JUNE 25: Communist Troops invade South Korea. The U.S. demands through U.N.O. that North Korea withdraw. Government crisis in France. Mr. Eden praises Schuman's initiative. Government spokesmen defend the Government attitude to the Plan.

JUNE 26: Mr. Truman, a 33rd Degree Freemason, promises support for U.N. action against North Korea. First Day of Schuman Debate in the House of Commons. Mr. Eden defends the Federalist case, and Sir Stafford Cripps maintains that no British Government can yield control of vital industries to a supra-national authority. Mr. Clement Davies, for the Liberals, says the Schuman Plan is a step towards peace.

JUNE 27: President Truman orders America's Air Force and Navy into action, without awaiting the result of the deliberations of the Security Council. Second day of the Schuman Debate in the House of Commons. Mr. Churchill for the Conservatives and the Liberals proclaims: "The Conservatives and the Liberal Parties say without hesitation that we are prepared to consider, and if convinced, to concede abrogation of National Sovereignty, provided we are satisfied with the conditions and safeguards. I will go further and say that, for the sake of world organisation, we will even run risks and make sacrifices."

JUNE 28: "General MacArthur, Supreme Allied Commander in Japan, is given the job of over-all commander, including operational control of the U.S. Seventh Fleet which will sail to stop any attempt to invade Formosa."

Mr. Attlee, without consulting either House of Parliament (we have looked in vain for a report that he communicated with His Majesty the King) places the British Naval forces in Japanese waters at the disposal of the U.S. High Command. The leading politicians support his action when informed thereof the following day. In the evening, Mr. Churchill, speaking at the Conservative 1900 Club deals with the relative importance with the fight in the British House of Commons over the Schuman Plan and the conflict in Korea, which latter he considers to be on an "altogether superior level" to the former. He concludes that there is no future for mankind except through the creation of a world government.

JUNE 29: U.S. warships go into action. Australia places ships at the disposal of General McArthur. The "Republic of India" supports the resolution of U.N. calling for assistance. In Britain, there are threats of more strikes, and signs that the Medical Health Scheme—Compulsory Insurance—is breaking up. The leader-writer of the *Scotsman* deplores that the Trade Union Congress is losing its hold on individual Trade Unions, which appear to be regaining their freedom of action.

JUNE 30: President Truman authorises the use of "certain ground units." The Australian Government orders its 77th Air Squadron into action, it is placed under the command of Lieut.-General George Stratmeyer. Mr. Averell Harriman, recently appointed by Mr. Truman to supervise the co-ordination in the international obligations of the U.S.A., is succeeded as Marshall Aid Ambassador to Europe by Mr. Milton Katz, a professor of Law at the University of Harvard. Mr. Katz is an orthodox Jew. In London, Mrs. Roosevelt, U.S. representative at U.N.O. where she chairmans committees for Human Rights legislation, gives a Press Conference in the house of the Dowager Lady Reading (Mrs. Rufus Isaacs). Mrs. Roosevelt thinks that the Korean incident will strengthen the United Nations Organisation, because it had taken action and received the support of member nations.

(To be continued).

PARLIAMENT

House of Commons: July 5, 1950.

KOREA

(The Debate continued)

(Mr. Eden continued):

I recall a conversation that came to my mind today as I heard the speech of the Prime Minister, which I had with Marshall Stalin at a very grim period of the war, in December, 1941. The Prime Minister will remember that I went to Russia by the North Cape at the same time as the then Prime Minister went to America. One night, after our discussions about the immediate situation were over and we were conversing more discursively, we spoke of Hitler. After all, the German armies were then about 40 miles from Moscow. We discussed his character and I remember that Marshall Stalin made this comment, "We should not underrate Hitler. He is a very able man, but he made one mistake. He did not know when to stop." The Lord President may remember that from my record of the conversation at the time?

The Lord President of the Council (Mr. Herbert Morrison) indicated assent.

Mr. Eden: I suppose I smiled. At any rate Marshal Stalin turned to me and observed, "You are smiling, and I know why you are smiling. You think that if we are victorious I shall not know when to stop. You are wrong. I shall know." Tonight, I am wondering whether the time has not come when he might recall these words and when perhaps he might consider that the time has come when it would be well to stop.

House of Commons: July 11, 1950.

Regulars (Recruitment)

Mr. Low asked the Secretary of State for War what steps he is taking to increase the numbers of Regulars in the Army.

General Sir George Jeffreys asked the Secretary of State for War what steps he is taking to make good the deficiency of Regular personnel in the Army.

Mr. Strachey: Terms of service have now been made more flexible. They cater specifically for the soldier who wishes to obtain trade union recognition for a skill acquired during his service and for the probable requirements of National Service men. In addition, a soldier may now extend his period of colour service at any time after his first year. Further variations of engagements are under consideration.

Every effort is being made to ensure that service in the Army does not prejudice a soldier's chance of employment on return to civil life and over a hundred trades have received trade union recognition. Measures have been taken to increase the provision of married quarters at home and abroad. Other steps to improve conditions of service were described in a reply given by my predecessor on 25th October, 1949.

In the field of publicity, efforts are being made through B.B.C. broadcasts, films and newspapers, to reach the widest possible recruiting field, and steps are being taken, within the limits imposed by normal duties, to arrange marches,

displays and similar events.

In addition a full examination is at present being carried out in regard to the career structure and prospects within the Army with the object of providing a more attractive and possibly longer career.

Mr. Low: But is the right hon. Gentleman not aware that many of the things to which he has just referred have been in operation for some time and that, even though they have been in operation, the number of recruits has tended to dwindle, not to increase? Is it not about time that he completed his inquiry into the career and, particularly, the pay structure of the Army?

Mr. Strachey: That depends, of course, not only on my Department. Other Services and other Departments have to be consulted on that matter.

Sir G. Jeffreys: Does not the right hon. Gentleman realise that the organisation, the training and the efficiency of the Army depend largely on an adequate supply of Regular personnel, and does he really consider that the steps he has outlined will be sufficient largely to increase the number enlisting?

Mr. Strachey: No, I was careful to say that further steps are in contemplation, and I mentioned some of them, but I agree with the general proposition that the efficiency of the Army depends largely on an adequate Regular content.

Mr. Emrys Hughes: May I ask the Minister whether there has been any substantial increase in the number of recruits during the last fortnight?

Mr. Strachey: I cannot say.

Mr. Martin Lindsay: Does the right hon. Gentleman agree that the two most effective measures would be, first, an increase in pay, and secondly, preference for employment after leaving the Service in some Government organisation, such as the Post Office?

Mr. Strachey: I would not like to set a priority. There are many things that are important. Married quarters, for example, come high on the priority list.

Mr. Snow: Is my right hon. Friend under the impression that the success of the American recruiting scheme is due to pay conditions only?

Mr. Strachey: I would not know enough about it to say.

Brigadier Head: Is the Secretary of State aware that during the past two years the trend has been for a gradual decrease in the number of Regulars, that recruiting is not making good this wastage, that if this trend continues the right hon. Gentleman will be in an extremely serious position shortly, that the matter has been under consideration for two years and that no effective steps have been taken?

Mr. Strachey: I could not agree that no steps have been taken—

Brigadier Head: No effective steps.

Mr. Strachey: A number of steps have been taken, but we are concerned over the trend of Regular recruiting.

Mr. Low: Will the right hon. Gentleman reconsider the answer given to his hon. Friend the Member for Lichfield and Tamworth (Mr. Snow)? Is it not about time that the War Office were in the closest touch with conditions of recruiting, and so on, in America, and ought he not to be severely influenced by the experience that they have had?

(Continued on page 6.)

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This journal expresses and supports the policy of the Social Credit Secretariat, which is a non-party, non-class organisation neither connected with nor supporting any political party, Social Credit or otherwise.

SUBSCRIPTION RATES: Home and abroad, post free:
One year 30/-; Six months 15/-; Three months 7s. 6d.

Offices: (Business) 7, VICTORIA STREET, LIVERPOOL, 2, Telephone: CENtral 8509; (Editorial) 49, PRINCE ALFRED ROAD, LIVERPOOL, 15, Telephone SEFton Park 435.

Vol. 24, No. 22.

Saturday, July 29, 1950.

From Week to Week

"When the people (U.S.A.) looked, which was seldom, outside their own borders, England was still the dark and dreadful enemy to be feared and guarded against. The [American—Ed. T.S.C.] Irish, whose other creed is Hate; the history books in the Schools; the Orators; the eminent Senators; and above all the Press; saw to that. Now John Hay, one of the very few Ambassadors to England with two sides to their heads, had his summer house a few hours north by rail from us. On a visit to him we discussed the matter. His explanation was convincing. I quote his words which stayed textually in my memory. 'America's hatred of England is the hoop round the forty four (as they were then) staves of the Union.'"—Rudyard Kipling: *Something of Myself*.

We quote the foregoing passage, referring to 1894, in the hope that it may awaken some realisation of the unrelenting ill-will to this country, side by side with the organised bilge in the British Press of the hands-across-the-sea and American cousins type which has obscured it. The situation has been ideal for the purposes of the covetous and has been exploited to the full; we have small doubt that the ultimate threads of control lead from Transport House, the Kremlin, and the White House to the same centre in Wall Street.

"They were an interesting folk but behind their desperate activities lay always, it seemed to me, immense and unacknowledged boredom—the dead weight of material things passionately worked up into Gods, that only bored their worshippers more and worse and longer . . . and the Semitic strain had not yet [1894] been uplifted in a too-much-at-ease Zion."—*Ibid*.

If you didn't know before why Kipling has been systematically smeared, you do now.

At the end of about three weeks' war between North Korea (estimated population four millions) and the United States (population 140 millions), President Truman told a Press Conference (July 13) that the U.S. had never been defeated, and would not be defeated in Korea.

Forty-two U.S. soldiers have been killed, and most newspapers have run out of their stocks of the largest size black type; but of course accidents will happen. The U.S. has therefore asked the United Nations, fifty-two of them, to send troops to Korea.

In stating at the International Socialist Conference that British Socialism derived more from Methodism (Nonconformity) than Marxism it is quite possible that the speaker was chiefly concerned with the new Socialist line of demarcation between Socialism and Communism. But whether by accident or design, he enunciated a truth with wide and distoric implications.

The psychology of Nonconformity is tortuous and involved. It is far from being purely, or even mainly doctrinal, although there is a clear line of descent from Cromwell's Independents, the forerunners of the Congregationalists, to the Little Bethels of the Black Country and the Welsh mining villages. We have no doubt that Praise-God-Barbones would have recognised Mr. Aneurin Bevan as a kindred soul (if that is the right word) after listening for two minutes to the Minister of Health's idea of civilisation, notwithstanding Mr. Bevan's luxurious personal tastes.

At the root of both Socialism and religious nonconformity (we make a distinction between the many admirable people who are nonconformist more by heredity or situation and the genuine Puritan) lies an inferiority complex and, as usual, this has been seized upon and given form by Judaism. The so-called class war is cultural, and we should regard a certain balance of outlook, a dislike of extreme judgment ("judge not, that ye be not judged") as the touchstone of culture.

" . . . the stupendous forces that swept the world in August, 1914, with the bloodiest, wickedest and most futile war that has ever been fought. Looking back, the one outstanding, stark reality is its utter senselessness. It will not be found that Wilhelm II was a great captain who guided his own ship of state aright and steered a straight course before a Europe besottedly sailing to destruction. It will be written that he was a mere cork floating prominently for a moment on the crest of a wave which he never even dreamed was about to submerge himself, his dynasty, and empire; and all for which they stood. . . . and that incomprehensible evil which, to cover our ignorance of what it is, we call Bolshevism was let loose on the world.

"What was it, exactly, that happened when the German Empire went to pieces? Does anyone know? It is absurd to believe that all that followed November 1918 in Germany happened because a political agreement made in 1870 proved futile. It is equally absurd to say it was because the Hohenzollern family disappeared from their place on the European stage. Something far more mysterious, profound and far-reaching was at the bottom of it all."—*The Private Diaries of Daisy, Princess of Pless*.

Dock Board and Men's Club

According to *The Scotsman* of July 19, the Park Hotel, Charing Cross, Glasgow, has been bought by Glasgow Dockers' Committee for conversion into a dockers' Club. The project is being financed by the National Dock Labour Board. The club will be used for educational and social purposes, and billiards and reading rooms will be among the amenities. Renovation work on the hotel is expected to be finished in August, when the club will be opened. When the club is running the dockers will refund to the board the money spent on purchase and conversion.

Supra-National Socialism

The Schuman Plan

By ELIZABETH S. DOBBS

(Concluded)

Other arguments on the Conservative side varied from the assertion that the Commonwealth Premiers want us to go into European Union (and of course if they do, it is urgent to find out where they got the idea) to the fact that the Russians say they don't want us to go into the Schuman 'plan,' and so therefore we should.

Mr. Boothby, too: "... I hate the expression 'supra-national' but I am quite willing to face up to the question of national sovereignty. When all is said and done, unbridled national sovereignty remains the prime cause of the hideous disasters that have befallen us in this nightmare century. . . . Some form of integration, both economic and political, is bound to come. If it does not come by voluntary union, it will come by way of empire. It nearly came by way of Hitler's empire. It may still come by way of Stalin's empire. We now have to break down national sovereignty by practical action in defined spheres of activity, and to use modern technical progress to build up a co-ordinated, complementary and expansionist Western economy. That is a revolutionary project, at least comparable to the industrial revolution of the nineteenth century; and, as then, the approach must be functional and empirical. . . . What are the implications? In the economic field it certainly involves the co-ordination of national monetary and fiscal policies and the acceptance of the principle of planned international investment, production and trade, and the abandonment of the principle of non-discrimination. The truth is that the only alternative to international economic planning in the modern world is rigid national autarchy, and that is the path which the Government have apparently elected to follow . . ."

And Mr. Quintin Hogg said: "... It is not possible logically to make a condition of the adoption of a new authority or institution the adoption of a particular policy by that authority or institution, even though it is believed that that policy is essential for success of that authority or institution. . . . The adoption of a planned Socialist economy in Europe, if that be a desirable objective at all—and that is something about which we must obviously agree to differ in this Debate—is an objective which can only be obtained as the result of the creation of institutions and not as a condition of joining them. . . ."

"... The specific challenge of history to our civilisation has been the inability to solve the problem of peace. We have never achieved liberty except at the expense of a considerable degree of disorder. Nor have we ever built up a system of order without sacrificing some of the essential principles of liberty. Bloodshed has marked the course of our career through time. We have all become the children of Cain with his brand upon our brow, and if this plan can, as I believe it can, offer a step forward towards a specific response to this historical challenge, then I do not think it will be in vain."

Plainly it is not now sufficient to show that a proposition undermines the independence of their own nation to convince people that it is undesirable. If pressed to it, most people would say, with Mr. Boothby, Mr. Thyssen and P.E.P., that Europe is due to be unified, look at Hitler and Napoleon, and 'we' may as well do it before Stalin does.

They take it for granted that a larger unit, because it is large, would stand better against the menace of Communism than a number of allied smaller ones.

Even if we are accepting atomic war as inevitable, is it not clear that that side will win which retains the largest number of, or the last, self-supporting, independent industrial units? Whether or not Moscow understands this does not affect its truth.

But if we are interested in the avoidance of an atomic war, rather than in the identity of the ultimate victors, we must recognise that the 'cold war,' which is the spiritual war, must be successfully waged. This involves the recognition that Communism is a spiritual force, and can only be countered, not by a less ruthless version of itself but by a completely different and opposite spiritual force. Loyalty is what communist tactics assault everywhere, and the remaining nuclei of loyalty in the Western world are the sole fortresses of defence. Such are the ancient national loyalties of the ordinary patriotic Christian people, who have always successfully allied themselves in the face of Eastern aggression. If there is talk of the need for larger associations, the British Commonwealth provides such a natural and established focus. The deliberate breaching of these strong points of defence by 'the abrogation of national sovereignty' can be nothing but a source of deadly weakness in the 'cold' war. Such a centrally planned substitute grouping (as advocated by the Conservatives in their new role as the international-socialist opposition to a relatively conservative Labour Government) can only increase vulnerability, and seek to impose newly invented 'loyalties' by propaganda.

The fact that the Communist Party Line attacks the Schuman 'Plan' needs careful consideration: but it must also be remembered that they are running a hearty line in 'independence' for Britain. The effect of these tactics is to make independence in any form stink. It is likely that Moscow is aware of this.

Mr. Justice Felix Frankfurter

In THE DAILY TELEGRAPH of July 15, 1950, PETERBOROUGH writes:—

"Mr. Acheson's Patron.

"Last night one of the most influential Americans of his time, Mr. Justice Felix Frankfurter, made his only public appearance during his stay here. With the Lord Chancellor he addressed the Society of Public Teachers in Law at Lincoln's Inn Hall.

"Mr. Frankfurter's fame rests on his talent-spotting skill. For this his position as head of Harvard's famous Law School in the 'thirties gave him ample scope.

"Two of his protégés have won international fame. One is Mr. Dean Acheson. The other is Mr. Alger Hiss. The common background to their careers does much to explain Mr. Acheson's refusal to turn his back on Alger Hiss when he had been convicted for perjury, which implied he was a Communist agent.

"Now 67, Mr. Frankfurter is one of the few first-generation Americans who have won fame in a liberal profession. He was born in Vienna and came to America at the age of 12 not knowing a single word of English.

"America's Iago.

"He has had his share of opposition. His friendship

with President Roosevelt earned him the name of the Iago of American politics. On his appointment as a member of the Supreme Court there was further criticism of him as a Jew.

"This country he knows well. He was a visiting professor at Oxford before the war. Since then he has kept touch by constant reading of our weekly journals.

"During his present visit he has been staying outside Oxford in the professional enclave of Boars Hill. His host has been Prof. Goodhart, an American who has become one of the great names in academic law here."

PARLIAMENT (continued from page 3).
Post-War Credits

Lieut.-Commander Braithwaite asked the Chancellor of the Exchequer whether undistributed post-war credits are being retained in a separate fund.

Sir S. Cripps: No, Sir. The law governing the existing repayments provides for them to be paid out of the Consolidated Fund.

Lieut.-Commander Braithwaite: Does the right hon. and learned Gentleman not recall that Parliament established these post-war credits as a nest-egg for the taxpayer? Why is the egg not in the nest?

Sir S. Cripps: Because the nest is the Consolidated Fund, which holds all the eggs.

Mr. Harmar Nicholls: Does the right hon. and learned Gentleman say that if and when post-war credits are repaid, the people receiving them will have to be taxed in order to pay themselves?

Sir S. Cripps: We always have to raise the money by taxation if we are to pay out.

Lieut.-Commander Braithwaite: On a point of order. In view of the gravity of the disclosure of the Chancellor of the Exchequer, I beg to give notice that I shall seek an early opportunity of raising this matter on the Adjournment.

European Payments Union

Colonel Crosthwaite-Eyre asked the Chancellor of the Exchequer if he will now make a statement on the European Payments Agreement.

Sir S. Cripps: Yes, Sir; with permission I propose to make a statement at the end of Questions.

Later—

Sir S. Cripps: The Council of the Organisation for European Economic Co-operation reached unanimous agreement in Paris on 7th July on proposals for establishing a European Payments Union as from 1st of this month. The documents incorporating these proposals were approved by, and have been made public by, the Council. A few copies only are so far available in this country, but I have arranged for some to be placed in the Library.

The Organisation will now proceed to draft a Convention for signature by the participating Governments. This will take some weeks. So far as the United Kingdom is concerned, Parliamentary authority will be required for the provision of credit and for the discharge of our other obligations under the scheme, and legislation to this end will be introduced in the autumn. I propose, however, to make such arrangements through the Civil Contingencies

Fund as may be necessary to carry out our obligations in advance of legislation, and I am sure that the House will agree that this is the right course to take in view of the importance of this scheme to the economic progress of Europe.

This agreement to establish a European Payments Union is a very great achievement of international co-operation. The objective was the complete transferability of European currencies earned on current account, so that each member country should, in future, be concerned solely with its balance of payments with all the other member countries taken as a group. This objective has been secured by the new scheme, which, by providing an adequate volume of credit and limiting the extent to which settlements have to be made in gold, establishes a basis on which further progress can be made with the liberalisation from import restrictions of European trade.

The scheme embraces the whole monetary areas of the member States. In particular, the multilateral system of trade and payments, which already exists in the sterling area and through the arrangements for sterling transferability, is brought into effective association with this new multilateral system in Europe, through the membership of the United Kingdom.

The new payments scheme is associated with certain principles of commercial policy which are an essential and most important part of the whole arrangement. Subject to certain exceptions for specially difficult cases, each member country will be required as from the 1st January next to avoid any discrimination in its licensing of imports as between one member country and another; and, in particular, a member country which has been discriminating hitherto by reason solely of bilateral payments difficulties must remove forthwith any such discrimination so far as concerns the open general licences that it has issued under the O.E.E.C. programme for liberalisation of trade, unless it is itself being discriminated against by the other country.

We are currently discriminating against certain O.E.E.C. countries on balance of payments grounds, and these rules have therefore an important bearing on our own import policy. There is no discrimination against our trade in Belgium, Luxembourg and the Belgian Congo, and we shall on 17th July extend our open general licences to imports from these countries of commodities already imported under open general licences from other O.E.E.C. countries. The same consideration applies to invisible payments with the result, among other things, that, as from 17th July, there will no longer be a restriction on the number of tourists who may visit Belgium. Switzerland, similarly, does not discriminate against us and we shall do the same in her case as soon as the Swiss Government confirm their intention of becoming effective members of the Union as from 1st July. The only other participating country excluded from the benefit of our open general licences is Western Germany. Western Germany, however, unlike the other countries I have mentioned, is treating the trade of certain other countries more favourably than ours and we are at present negotiating on this matter with a delegation from Frankfurt. If, as I hope, these negotiations result in an agreement for a sufficient extension to us of the facilities that Western Germany accords to some of our competitors in her market, we shall extend our open general licences to imports from Western Germany.

The new scheme is a measure of the economic recovery which has taken place in Europe since the war to which the

generous aid given by the United States through the European Recovery Programme has so largely contributed. The European Payments Union itself is based on a Working Capital Fund contributed by the United States, and the final agreement owes much to the advice and help of the Economic Co-operation Administration, and especially of the Office of the Special Representative, under Mr. Harriman and his successor, Mr. Katz.

The United Kingdom has the largest quota in the Union—1,060 million units equivalent to one dollar each out of a total of nearly 4,000 million, or approximately 27 per cent. According to the rules of the Union, this means that if we are a net creditor in Europe we undertake to provide goods and services up to a value of 210 million units against credit, and thereafter against 50 per cent credit and 50 per cent gold payments, until we reach the total limit of 1,060 million units. On the other hand, if we are a net debtor in Europe, we are entitled to draw on credit up to 210 million units and thereafter to cover our deficits partly by drawing on credit and partly by gold payments, on an increasing scale, till we reach 1,060 million units.

A country may reimpose restrictions if it finds itself running into deficit with the Union at a rate and in circumstances which it deems serious in view of the state of its reserves. But if it finds it necessary to do this, it must be prepared to justify the action it has taken before the Organisation; and in applying any such restrictions it must avoid any discrimination.

The arrangements for relating our dollar aid to the European Payments Union are as follows. We undertake to make sterling available to the Union, if we have a surplus with Europe, up to an amount of 150 million units against the receipt of an equivalent amount of conditional dollar aid. This arrangement will apply to the first slice of any surplus we have, and thus it will only be if we have a surplus in excess of 150 million units that the arrangements which I have just described for dealing with a creditor position would begin to operate.

Under the general rules of the Union we are required to make arrangements with the other members concerned for the disposition of sterling balances held by them at the inception of the scheme, that is at 30th June, 1950. The necessary negotiations are in progress. In some cases, it may be appropriate for these balances to continue to be held, in other cases for some part to be paid off during the next two years. Any member, however, who runs into deficit with the Union will be able to draw freely on his sterling balances to meet all or part of his deficit. In this special case, the Economic Co-operation Administration have undertaken to guarantee us against any loss of gold which might result from such a use of sterling balances.

The Government have been naturally concerned, throughout the discussions leading up to the present agreement, to ensure that an improved payments scheme for Europe should not be secured at the expense of weakening the position of sterling as an international currency. We are satisfied that the position of sterling is adequately safeguarded in the proposals that have now been adopted and that we need not fear any detriment to our wider interests. The other Commonwealth Governments have, of course, been kept closely informed of developments throughout.

I am sure that the House will welcome this great achievement by the Organisation for European Economic Co-operation, and the contribution towards it which the

United Kingdom has made.

Colonel Crosthwaite-Eyre: I am certain the Chancellor will appreciate the difficulties of the announcement which he has just made and I personally feel that it is a very important statement. May I ask him one question at the moment? As I understand it, His Majesty's Government are now committed to a further 1,000 million dollars' worth of unrequited exports, which, in the eventuality, can be paid for from sterling balances. May I ask him whether that is so, and further if, should that happen, the United States have guaranteed to us a similar gold payment to offset the sacrifice we have made?

Sir S. Cripps: No, I am afraid that is not accurate. I appreciate that this is a very complicated matter, and that it is difficult to understand it in this way, but in effect the amount of credit we shall have to grant in the extreme case will be 600 million dollars. The other 400 million will be paid to us in gold.

Mr. Oliver Lyttelton: We on this side of the House always welcome any sensible step directed towards European co-operation and solidarity. [*Laughter.*] I do not see anything funny in that. At the same time, these arrangements are not free of complexities, and, as there is no official document which is available to us, except that which has been placed in the Library today, we must refrain from any detailed comment. At the same time, the statement is a very long one, and I must express some apprehension that we are undertaking obligations when this House has not had full opportunity of discussing them. I would seek an assurance from the right hon. and learned Gentleman that, before we are bound and all these things are ratified, there will be given an opportunity for a full debate in the House. The Chancellor mentioned in his statement that these arrangements will require legislation, but we may feel that we may be too far down the road before that takes place, and I ask him whether he will issue a White Paper and also give us an opportunity of discussing the matter in full before the Recess.

Sir S. Cripps: So far as a White Paper is concerned, I would certainly get reprinted the document now in the Library if hon. Members feel that it would be of some assistance to them in the matter, but I thought it was quickest to place that document in the Library at once. So far as the question of time for a discussion is concerned, that is a matter for my right hon. Friend the Leader of the House.

Mr. Lyttelton: Will not the right hon. and learned Gentleman agree that these very long statements on matters of such great importance definitely place the House in an awkward position, when, without the House discussing them, obligations are later entered into from which we cannot recede and on which there has been no discussion by the House?

Sir S. Cripps: I do not think any obligations will be signed for some several weeks.

Mr. Walter Fletcher: The Chancellor had said something about the granting of open licences for manufacturers in Western Germany, which will affect manufacturers in Lancashire very much indeed. Will the House have an opportunity of discussing this matter before the licences are granted?

Sir S. Cripps: If we get an agreement with the Western German Government as regards the liberalisation of their markets, we should be under an obligation immediately,

under the agreement entered into in Paris on 7th July, to make arrangements for extending open general licences to Western Germany.

Viscount Hinchingbrooke: I understood the Chancellor to say that there was a difference between capital and current transactions. Since many people hold that it is impossible to differentiate between capital and current transactions, how does the Chancellor propose to define what are current transactions?

Sir S. Cripps: Exchange control will remain. This will not interfere with it.

Mr. Godfrey Nicholson: Does the Chancellor mean that 600 million dollars is the amount of the sterling balances to be jeopardised?

Sir S. Cripps: No. It is the maximum amount of credit under the scheme that we might have to advance in sterling.

Mr. Maclay: May I ask the Chancellor whether, in addition to the document which has been placed in the Library, he will also issue a simple summary of what it means?

Sir S. Cripps: A summary has been put out by O.E.E.C., and I will certainly consider printing that in addition to the document.

The Schuman Plan

The following appeared in *The Scotsman* of June 27 over the signature of W. L. Richardson. Further correspondence followed:—

"SIR,—The pronouncement of the Labour Party (as distinct from the "Labour" Government) on the Schuman Plan, so-called, and on the transfer of effective British sovereignty to a nebulous Parliament of Europe, besides being one of the most heartening, is one of the most surprising events of contemporary politics. The Labour Party statement was issued on June 13.

"That it was followed (see *The Scotsman*, June 14) by practically a flat disclaimer from that peculiarly impersonal person, Mr. Attlee, makes it doubly certain that we are witnessing a regurgitation of an 'influence' which will split Labour from top to bottom. That 'influence' has, for the last 30 years or more, worked through the London School of Economics, the Fabian Society, Chatham House, P.E.P., and kindred organisations here and overseas. The nerve-centre of these organisations, with which Mr. Attlee and leading politicians in all the parties have been or are intimately connected, is in the United States. Your readers will have noticed that since 1945 every new plan for 'uniting' Europe has had the ardent support of leading U.S. politicians, and that the keynote of all the plans was surrender of national sovereignty.

"Someone inside the Labour organisation has at last sensed the danger, for the Labour Party statement 'considers that it is neither possible nor desirable to form a complete union, political or economic, in this way (i.e. by surrendering constitutional powers to a supra-national government.)'

"Now everyone with practical experience of the craftsman (one must emphasise the description because the general public tends to ignore it) knows that he is both the most sensible and the most conservative component of the industrial

community; and one suspects that it is from the craftsman and the craft Unions that the revival of commonsense is in evidence.

"Since it is already clear that the Transatlantic politico-economic power-group which works locally through the organisations mentioned above intends to make 'Britain' take its medicine, the outcome of a clash between the Trade Unions and Mr. Averell Harriman—the group's chief political representative—will be most informative."

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