

# THE SOCIAL CREDITER

## FOR POLITICAL AND ECONOMIC REALISM

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### David and Goliath

*An Essay in analysis of the psychological background of what is known as the Export Drive.*

By NORMAN F. WEBB

Part II. (I)

During the falsely halcyon years that preceded the financial crash of 1929-30—how false, the United States in particular was to learn—no public figure was found anywhere to canvas the suggestions contained in Social Credit, and no newspaper had an inch to spare even for correspondence on the subject. There were some textbooks and one weekly journal, *The New Age*, to bridge the period. That was all. Any influential friends the movement had had, seemed to fade out; memories of 1914-18 were losing their sharpness, and the London Stock Exchange and the floatation market, typified by such men as Jimmy White and Clarence Hatry, were booming in unison with Wall Street. From the short-term point of view of orthodox finance, as well as the long-term hopes of the Planners, the prospect was fair, and the dangerous and potentially infectious ideas of Social Credit seemed to have been successfully sealed-off by an immovable rock of official condemnation from the headquarters both of organised finance and organised labour blocking the entrance to the isolation chamber.

Then, following the Wall Street crash, came the Hungry Thirties, with two and a half million unemployed in England alone, and an officially admitted twelve million in the States, while the figure given for stricken Germany was six million, with other nations in lesser degrees and in Middle and Western Canada was a mortgaged and moneyless farming population. Incomes, and consequently demand and turnover over the whole industrial world were halved, and along with that curtailment of consumption there developed an orgy of official destruction of real wealth such as had never before been seen, and which in these days it is difficult even to recall; when wheat was ploughed back, coffee burned, cotton destroyed, hogs and cattle slaughtered, milk poured out, and production plants closed down everywhere. All of which misreason happened under the particular formulæ in force in the operation of the system of Distribution, or Money, which had been analysed in the Social Credit textbooks and shown mathematically to be subject to a flaw.

These were searching days from, say, nineteen thirty to thirty-six or seven when the returning tide of rearmament finance and compulsory restriction of productive output more or less met and produced a precarious equilibrium. It was during this period of economic stress that under the pressure of the sheer illogicality of the existence of this huge technical surplus of untouchable real wealth—particularly of food—alongside stark financial poverty and widespread want, that the embargo, or taboo, that had for so long lain upon all open discussion of Social Credit seemed to lift of itself. As it were, the rock of oblivion that had sealed off the dangerous disclosure mysteriously rolled away under the urge for some

common sense to counter the smug, academical acquiescence in it all—an almost Euclidian complacency, in face of physically avoidable disaster that must surely have been a big factor in the general break-up of the Christian patience and faith of Western society, and of this country in particular—and the condemned, but persisting idea reappeared openly in the light of day. It was again freely debated and expounded in public, on platforms and in the press, and even from the pulpit; not at party-political levels, of course, of either the Tory or Labour extremes, where official “ignorance” still ruled supreme; but in that great Middle Area, where extremes meet, and most vital ideas, wherever they may have started, seem to germinate and develop. A Social Credit Movement was born, embracing within its admittedly thinly-manned frontiers, the whole English-speaking world (with the doubtful exception of the United States), plus some able minds on the European continent.

It is not easy to say exactly what had happened to the plans of the Planners. Superficially, it might be thought that they had over-played their hand and lost control of affairs all round, overlooking possibly the fact that it was in conditions of financial scarcity that their orthodox economic arguments were weakest, and realism of the kind represented by the Social Credit thesis most convincing. As in the years immediately following the 1914-18 war, the condition of crisis, which financial orthodoxy had itself created, was forcing men to think along realistic lines. This reverse, however, may have only been appearance, because, apart from the inadvertent “release” of the Social Credit idea and its embodiment in a movement, which from the point of view of World Control may or may not have been a major blunder, (time alone can prove that), the World Planners everywhere gained appreciable strategic success in their struggle for centralisation.

These successes at first appeared to be less dramatically obvious in Great Britain than in the United States, where the abject collapse of private banking, following on the Wall Street debacle, prepared the way for the New Deal under Roosevelt and confirmed the monopoly of the Federal Reserve Bank. In England, however, apart from the revived activity and interest in Social Credit, which accompanied the financial crisis of 1931, the inauguration of the Baldwin-Ramsey Macdonald coalition, produced a definite change for the worse in the political climate. In that year it can be said with certainty that the spectre of the totalitarian state first really raised its head in these islands. And, of course, it was the economic condition of Germany, and the unemployment, that brought the Hitler regime to birth in 1932. Certainly it could have been boasted by 1936 at least, the world-scene had been appreciably composed and consolidated into the desired pattern of the Internationalists, and all dissenting arguments of any real effect silenced, with the single exception of the mental resistance displayed by the followers of the Social Credit philosophy here and in New Zealand, Australia and Canada, where, in the State of Alberta, a political government had come into being in its name. Be-

yond that there was no constructive opposition from any quarter whatsoever.

Meanwhile the threat of another war in Europe turned into a certainty. The fiscal barriers to rational world trade grew increasingly unsurmountable, and nothing seemed to keep national economies going except the feverish necessity to reassemble armies and armaments dispersed after the Armistice of 1918. As a result of its unique stand, the Social Credit Movement, wherever it presented a focus for attack, was the object of considerable pressure. This accounts for the strength of the onslaught on the newly-elected and quite unprepared Social Credit government in Alberta, where the open and unequivocal demonstration given of the Central Planners' implacable opposition to any real freedom of individual choice and to all national and local sovereignty, represents possibly the most valuable and outstanding example ever presented to the student of human affairs. The detailed history of Social Credit in Alberta, however, is a study in itself.

In the movement generally, the fracturing effect of this severe external pressure was noticeable, displaying many of the followers of Social Credit as scarcely more knowledgeable, if at all, as to the nature of human association—the specific subject of their textbooks,—than non-Social Crediters, and no less open to the dividing tactics of the Enemy than were the earliest organised followers of Christian truth. The movement was not long in developing that Cerberus-like aspect that unfortunately is so liable to accompany man's attempts to achieve unity without compulsion. There were notable local successes; but with the actual outbreak of war in 1939, the attempt to break through and dissipate the all-pervasive economic fog must be allowed to have failed for the time being. The official embargo had proved strong enough over the period to prevent the warning contained in Social Credit from becoming 'news,' in the same sense that the warnings of the extent of the rearming of Hitlerite Germany, sent home by conscientious correspondents such as Mr. Douglas Reed, were suppressed in the interests of International policy in which Germany was assigned a major role for the second time in succession; for the sheer, unteachable perversity of the unregenerate human mind is literally unplumbable.

## (II)

Now what, at bottom, is the objective of International Policy, that direction which is being given to world events today under the influence of the philosophy of those in control of them? Can the aim of the World Planners and the means by which they propose to achieve it, be stated correctly and comprehensively? We know vaguely it is World Control from one centre; but what actually, and for each one of us severally, does that imply? To answer both questions simultaneously, it implies the suppression of all national freedom of choice and expression, and policy, and *through* that, of the individual nationalist himself. Much more could be said about it, but that does answer the question unequivocally. In view of that, and regarding the international field in as simple and practical a way as possible, it could surely be only from wilfulness that one failed to see Anglo-Saxon culture, the English Way of Life, as tactically the first, and indeed almost only obstacle in the road to the Internationalist objective. Great Britain, and the English-speaking Empire or sphere of influence, in as far as it persists in its individual way of looking at things, stands in the path of Power Politics and centralised, material World Control. That is

the simple truth. And consequently for us in these islands and the Dominions, the key—and *the only one*—to contemporary events, is to see them as primarily directed against the interests of Great Britain and her Empire, and then to act defensively on that view. In other words, international strategy, which, until actual military war should break out, is synonymous with economic pressure, *i.e.* the Export Drive, is first and last, anti-British, and opposed to the interests of the British Commonwealth and—to look further ahead—the individual everywhere. It cannot be otherwise.

That seems simple enough to be going on with for such of the Tories as may have succeeded in keeping themselves sufficiently free of the International propaganda of the London School of Economics and the Fabians; to be able to see national facts. On this simple formula—and no formula that is not simple would appear to have the slightest chance against the current of affairs today—external pressure on this country requires to be opposed, as diplomatically, of course, as circumstances will allow, but as unequivocally and completely as though there were a military war on. Once the mesmeric suggestion that there cannot be a war unless the guns are popping was thrown off, a mind of such strategic genius as that of Mr. Churchill's for instance—granted he could take the threat to his country really to heart—would not need to hesitate for a moment as to what to do. For however universal the interests of the actual operators of this pressure may be, there can be no doubt that the channel through which it is being operated is from New York *via* Washington, and it is equally beyond question that the lever by which it is intended that this country is to be manoeuvred out of the commanding position she might and should have accepted in 1945, is the Export Drive, in the development of which operation devaluation represents a decisive and pre-determined step. The devaluation of the pound is bound to produce a further strain on the creative energy and recuperative power of this country just when it is most needed, and that is the intention of those who have forced it upon us through their agents in Washington and London. That is the strategic motive. Metaphysically, Great Britain is the head, or heart, of what is known as the British Empire, and the Export Drive, along with devaluation is what is known in military strategy as a pincer-movement, designed to isolate and to nip out the British heart and leave the imperial body an inarticulate mass. Obviously, the objective is diabolical, as is the method, which consists in increasing the demands and at the same time removing the means of satisfying them.

What is so misleading is the fact that the technique that is being ostensibly employed in this operation is that of the Faculty of International Trading, developed actually by England herself in the Nineteenth century, which, as long as it was employed in the conditions under which it was evolved and for which it was intended, satisfactorily served the purpose of both parties using it. But the satisfaction is all gone now; because the original conditions, of a mutual and voluntary transaction between two parties, have been replaced by what can only be described as those of a needy and reluctant seller opposite a comparatively satisfied and apathetic buyer. Yet, under the still-unchallenged pressure, the operation must be continued—as the almost forgotten Montagu Norman once said, "The dogs may bark, but the caravan goes on"—simply because what was once a useful economic technique, that might have been, and still might be, adapted quite easily to meet the changed conditions, has, as was pointed out in an earlier part of this essay, been secretly appropriated, and turned into a weapon of political aggression

against society in general.

And since we in Great Britain, and perhaps in a somewhat lesser degree the Empire with us, represent the first obstacle in the obstructive sequence, and consequently the prime object of attack, it devolves on us to discover a means of countering this economic pressure by unmasking the unrealistic political motive behind it. For the fulcrum of the lever that is being used to displace us is purely dialectical or, if you prefer the word, mesmeric—a mountain of dead and useless economic lore, supported by a vast body of “conditioned” opinion, labouriously built up and maintained to obscure the true horizon like a slagheap in the Black Country, thrown up by the exertions of thousands of underground workers, trainees of the London School of Economics, which was expressly set up “to train the bureaucracy of the coming Socialist State,” as Lord Haldane admitted; and, incidentally, to undermine the departing Christian order.

### Whig Policy

“Lord Hartington is being spoken of as the Conservative candidate for Chesterfield. In the case of the heir of the Duke of Devonshire, I should have thought the accent would have still been on Unionist.

“His father still describes himself as a Unionist peer. To do so can be called a part of the Cavendish family tradition. The Unionist party was formed by the 8th Duke of Devonshire—at the time the Marquess of Hartington—in the year 1886.

“The Devonshires have always been one of the great Whig families, but broke with Gladstone over Irish Home Rule.

“When Lord Hartington led the breakaway the Liberal party lost not only votes. After 1886 it could no longer compete with the Conservatives in aristocratic names. It was no longer fashionable to be a Liberal.”—“Peterborough” in the *Daily Telegraph*, November 22.

In its issue of the previous day, the *Daily Telegraph* reported a speech by the Marquess as follows:—

“People in every walk of life should be compelled to nominate a representative member to sit in a new second Chamber to take the place of the House of Lords.

“Young Conservatives urged that the House should be reformed by experts, that it should have a new name and that membership should be voluntary. ‘This would retain the best of the present system and cut out the dead wood among the hereditary peers,’ said Lord Hartington.

“The new Second Chamber should also have a limited number of life peers, nominated by the Government, and a certain number of hereditary peers selected by themselves.”

### Book Reviewing in U.S.A.

Some interest attaches to facts about the accessibility of books in America brought forward by J. M. Lalley who contributed a “Review of Reviewing” to *Human Events* (Washington, D.C.) in its issue of November 16.

A considerable part of the article deals with the belated attention given to *The Case of General Yamashita* by A. Frank Reel. Published early in September the book “has been generally ignored or slighted in the literary columns and supplements.”

Interest seems to have been aroused by stories leaking

out of Tokyo that the occupation authorities have not only forbidden the publication of a Japanese edition but have warned the Japanese press that no mention is to be made even of the existence of the book. “Thus a controversy of some proportions turns upon the question of whether this censorship can be justified as a measure of expediency. The official view seems to be that Mr. Reel’s revelations would be seized upon joyfully by the Japanese Communists as another means of arousing popular hostility to the Occupation and of destroying American face. The view of Mr. Reel’s publishers is that it is stupid and hypocritical to preach democratic principles to the Japanese while refusing to permit a concrete application of them. This controversy, however, is somewhat irrelevant to our inquiry; for it does not explain why Mr. Reel had previously been snubbed by American literary editors, who are under no necessity to consult General McArthur’s pleasure.”

Having explained the circumstances of the Japanese “war guilt trial,” Mr. Lalley goes on:—

“I think I have now said enough to demonstrate that *The Case of General Yamashita* is from any historical point of view an important book, as important, certainly, as any that has appeared since the beginning of the Fall publishing season. Every history of the post-war epoch and every further history of Constitutional Law must take account of the story it relates. Moreover, the story of Yamashita, who was excommunicated by his victorious adversary from the chivalrous and magnanimous profession of arms, and accordingly stripped of his uniform and hanged in prison clothes, is one to provoke the tragic emotions of pity and fear. Thus Mr. Reel’s book has even some claims to consideration as an exercise of literature. On this score it might bear comparison for example, with Mr. Walter Van Tilburg Clark’s novel *The Ox-Bow Incident*, which at the time of its publication nearly ten years ago moved so many influential reviewers to ecstasies of praise. There is at any rate a striking similarity of theme. The main difference, as far as I can perceive, is that where Mr. Clark was attempting an imaginative reconstruction of a minor lynching episode of the frontier cattle wars of nearly half a century ago, Mr. Reel is reciting historical fact involving contemporary personages of great eminence.

“How then may we account for the circumstance that the very publications that were so enthusiastic about *The Ox-Bow Incident* avoided mention of *The Case of General Yamashita*, or considered it perfunctorily several weeks after its publication? One obvious answer is that American sensibility to injustice is far less acute in 1949 than in 1940. The conscience becomes numbed by successive shocks; when injustice is pandemic it begins to seem normal and may even acquire in many eyes an appearance of justice. Another answer might be that of mere ignorance; after all it is nearly eight years since Yamashita’s name was daily fodder for the headlines as the conqueror of Malaya and Singapore. I discover that even well-informed persons now tend to confuse him with Admiral Yamamoto. But if such confusion existed also in the minds of literary editors they could have been dispelled by Mr. Reel’s book, so that it seems reasonable to assume that few of them could have bothered to read it.

“Nor is Mr. Reel’s book an isolated case of neglect. There is also the example of Mr. Montgomery Belgion’s brilliant analysis of the proceedings at Nuremberg. I can recall having seen but two reviews of this work; one of them

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### From Week to Week

What is the matter with the people of these islands? We are not referring to the Cahmon Man, who is much the same everywhere, but to the quite considerable minority which still exists, with a fair allowance of native shrewdness and "gumption." They must know, or it is their business to know, that the Wall Street Loan to "Britain" in 1946 was given for one purpose and one purpose only: to finance Socialism: \$3,700,000,000, to ruin and enslave the greatest Empire the world has ever known—their Empire, developed for the advantage of everyone concerned, coveted by the "Americans," and now transferred to them.

Does anyone seriously suppose that this money was given for love of our beautiful eyes? Or to enable us to build up a competitive industrial system? Isn't it a mere matter of elementary Social Credit economics that "Finance always controls policy?" And isn't it obvious that Wall Street policy has on every significant occasion been primarily concerned to ruin us, as the alternative to enslaving us in its schemes of Judaic World Dominion? Is it impossible to direct attention to *why people do things*? Have we forgotten or in this generation never known, the inspired words of Edmund Burke: "All that is necessary for the triumph of Evil, is that good men should do nothing."

Almost contemporaneously with the advice of the Ministry of Food to "strengthen" our sugar with Saccharin (Professor Solly Zuckerman?) our attention was directed by a valued correspondent to the following item:

#### SUGAR GLUT IS ON THE WAY

A "burdensome surplus" of sugar in the world's free markets is expected by the Food and Agricultural Organisation of the United Nations.

It reports: "Within a short time a larger-than-pre-war supply of free sugar will be placed on a smaller-than-pre-war free market."

Talks began in London yesterday on increasing Empire sugar supplies to cut dollar imports.—*Daily Express*, November 22, 1949.

It might not appear at first sight that the *gaffe* of Lord Pakenham in respect of the Prestwick Enquiry, and the protest by Signor Saragat at the unwanted, frequent, and discourteous interference of British Socialists in Italian politics, had much in common, but a very real connection exists. Not merely within living memory, but we should suggest, not for four hundred years at least has any combination of treason, crass incompetence with stupendous disregard for tradition and experience, been uppermost in this country, and we believe that many of the present Ministers have been assured that their powers transcend not merely English Law,

but international convention. Or, to put it slightly otherwise, they have been privately assured that all limitations, whether constitutional or national, exist only in the imagination of their dupes, and may be traversed with impunity.

At the proclamation of the republic of "India", the President emitted an oration packed with New York colloquialisms and slang, no doubt in compliment to the Power which had put him in the seat of Aurungzebe and the later British Raj.

While the suggestion of an Empire United Loyalist Association (which is what it comes to) by Captain A. K. Chesterton in *Truth* of November 25 is as a breath of clean, fresh air amidst the foetid odours of current politics, and we should render such a project every possible support, we are more than ever convinced that if the world, as both he and we see it, is to be saved in tolerable form, certain facts require recognition.

To illustrate what we have in mind, let us consider a brilliant review of Lord Hankey's book, just published, *Politics Trials and Errors* which appears in the same issue. We agree with everything the reviewer writes, and what he writes concerns two matters—the policy of Unconditional Surrender, imposed by that curse of Satan, Franklin Roosevelt at the instance of the Jews, and agreed, but subsequently disowned, by Mr. Churchill; and the Nuremberg Trials, the offspring of Morgenthau, Sammy Rosenman and their tool, Jackson.

But he begins his review with the following words: "This is not a book, it is a bombshell."

Now, we have little spare pocket money, but we will wager a small sum that outside professional Staff Officers, historians and, in general, a select body of specialists, Lord Hankey's "bombshell" will attract about as much attention from the electorate of these islands as a damp squib thrown two fields away from a picnic of deaf-mutes.

Captain Chesterton is one of quite a small number of people, who combine insight, unspoilt instincts and a specific knowledge of real politics. We put the problem to him that by no conceivable means can the import of what he knows and feels be imparted to more than a tiny minority; and that salvation, if now possible, lies in denying the Divine Right of Size, Bigness, Majority, and insisting on exactly the opposite—personal, individual responsibility. Must we forever be the sport of fools bribed by knaves, just because they are so many?

When a very able Australian commented on the apparent rapidity with which ideas labelled Social Credit were spreading in the Antipodes some years ago, he said "Don't take the situation too seriously just yet. Most Australian and New Zealand Social Crediters are only Socialists who have added banking 'nationalisation' to their programme." The power-frustration complex to which he was referring, took the form with certain active workers in Great Britain of hailing every pronouncement of "poverty amidst plenty" as evidence of another convert.

*Un médecin malgré lui* of this type was the then Sir John Boyd Orr, perhaps as far from a martyr for righteousness as can be imagined. We are satisfied to notice that the "roses, roses, all the way" which have crowned the, now, Lord Orr are withering on the American stem, and he is credited with trying to form an economic super-state through

the FAO, an organisation stated to be riddled with Communists and fellow-travellers.

But Lord Orr, Nobel Prizeman, Peer and recipient of the highest tax free salary extant, no doubt feels that the hire is worthy of the labourer.

## PARLIAMENT

House of Commons: November 22, 1949.

### Unemployment Benefit

*Mr. Piratin* asked the Minister of National Insurance how much increase in unemployment benefit it is estimated would be necessary to make it equivalent in purchasing power to the pre-war rate of 17s.; and what consideration he has given to increasing the amount accordingly.

*Mr. J. Griffiths*: I cannot add to the information given on 8th November by my right hon. Friend the Chancellor of the Exchequer in his reply to the hon. Member for Louth (Mr. Osborne) on the purchasing power of the £. Any increase in the rates of benefit would involve an increase in contributions which I am not prepared to contemplate in present circumstances.

*Mr. Piratin*: Is the Minister aware that in order to meet the increased cost of living, according to official figures, the amount required would be about 5s., and that that 5s. would only bring the figure up to the pre-war figure in buying terms? Has not the Minister, therefore, responsibility at least to provide the pre-war unemployment benefit?

*Mr. Griffiths*: The unemployment benefit was raised with other benefits when the new Insurance Act came into force. I would remind the hon. Member that the benefit not only of unemployed persons, but also of their wives and children was also raised. In addition, those benefits can be supplemented by assistance.

*Mr. Piratin*: My Question was related particularly to the single man who today receives only 20s. If the Minister examines that category he will see that the single man gets no additional benefit whatsoever.

*Mr. Griffiths*: A single man is also entitled to national assistance.

### Agricultural Loans (Interest)

*Mr. Hurd* asked the Chancellor of the Exchequer if he gave his approval to the higher rate of interest now fixed by the Agricultural Mortgage Corporation for new loans to landowners who are undertaking the improvement of cow-houses and other farm buildings; and if he will give an assurance that restrictions will not be placed on capital expenditure needed to ensure full and economical food pro-

duction.

*Sir S. Cripps*: The Agricultural Mortgage Corporation informed me of the proposal to raise the rate of interest for new loans from 3½ per cent. to 4 per cent., and the Minister of Agriculture and I are satisfied that this was advisable. This increase—which applies to all new loans made by the Corporation—will enable it to meet the demands made on it for long-term credit.

*Mr. Hurd*: On what grounds did the Chancellor consider it appropriate to raise this rate of interest to 4 per cent. when landowners are expected to find £25 million for necessary improvements?

*Sir S. Cripps*: On the ground that we were not prepared to subsidise landowners through the Corporation more than to the extent of £150,000 a year.

### War Debts

*Mr. Harold Davies* (Leek): . . . By way of general introduction, I would point out that no civilisation can bear for ever such a burden of debt per head as is represented by war debt or National Debt. From figures which I have gathered from the Library, I find that the dead-weight of National Debt per head of population in March, 1914, was about £14 2s. By March, 1946, the deadweight per head of the National Debt was £500 4s. Thus we have found a method of passing the burdens of wars past, present and future on to the as yet unborn. If every war were paid for on the nail, wars would never be fought. . . .

. . . The principle of joint contributory responsibility applies to the current defence of Western Union. The principle of joint contributory responsibility should have applied to the last war. In fact, the Second World War was in a way a world-wide enterprise against Fascism, and paying for that war is not merely a British problem but a world problem.

I regretted very much, in a recent Debate in the House, hearing an hon. Member opposite referring to this country as a nation of spongers. That is entirely wrong, because if we analyse what Britain has had coming in and what we have given out since 1st January, 1946, we arrive at a completely different conclusion. Since the war Britain has received in total, by means of the American and Canadian Loans and Marshall Aid, a gross sum of £1,500 million in dollars. Since that date also Britain has spent £1,013 in dollars on overseas expenditure, including U.N.R.R.A., all other relief and rehabilitation, and the cost of administering Germany, as well as our heavy overseas military commitments. Since January, 1946, there has been also a legal export—or there was until a month ago—of capital from this country to the sterling area of £450 million. We have also released £430 million worth of sterling balances, making, therefore, a total of £880 million. This means that this amount of capital and exports has been transferred from this country without any return. We see, therefore, that in total Britain has provided to other countries aid in excess of her dollar aid by £400 million. . . . President Roosevelt, . . . in June, 1942, in his 5th Lend-Lease Report, said:

“All the United Nations are seeking maximum conversion to war production in the light of their special resources. If each country devotes roughly the same fraction of its national production to the war, then the financial burden of the war is distributed equally among the United Nations in accordance with their ability to pay.”

That is a wise democratic policy in so far as the last World War was a world public enterprise against the spread of

## REALISTIC CONSTITUTIONALISM

(Notes for an Address to the Constitutional Research Association at Brown's Hotel, Mayfair, May 8, 1947)

by C. H. DOUGLAS

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Fascism. It would mean that each citizen of the Allies would pay in accordance with his ability to pay—that is, in reality with income—which is a democratic principle.

The Truman-Roosevelt doctrine leaves out for Britain the effect of bombing and of shipping losses. If we take the Truman chart on page 369 of Professor Hancock's book and apply these percentages to actual national income and war expenditure, there is an over-payment by Britain of £6,000 million and a short-fall in the case of the United States by £7,500 million. That is not to say that America is not a great and generous nation or that the American citizen did not pull his weight in the last war. . . . on 28th February, 1948, the "Statist" dealt with these problems and showed that the figures I have mentioned could be approximately doubled if all the details were included. . . . I have not the time to work out the involved economic analysis, but does not the issue of unrequited exports increase the inflationary tendency in the country? I think it does. We are continually sending them to discharge sterling war debts. "The Times" or 21st August, 1945, put the matter in a nutshell:

"The possible need for transitional financial assistance from the United States will arise in large measure from the arbitrary and accidental way in which the financial burdens of the common war effort came to be distributed and the case is strong for some readjustment recognising the principle of 'equality of sacrifice' laid down by Mr. Roosevelt and permitting the change-over from war to peace to be accompanied with the fewest restrictive practices and the highest commercial freedom and productive efficiency."

This naturally brings me to point 13 of the recent Washington communiqué dealing with sterling balances. The most encouraging passage in the entire communiqué was—or was it?—I put that qualification in, that the balances were frankly described as the result of payments made by Great Britain "in the common war effort." There is a frank and generous recognition of that on the part of the United States of America. Congressman Christian Herter came to Europe and made the famous Marshall Report, which he drew up after his Committee's tour of Europe, on 1st February, 1948. Congressman Herter's report confirmed this general thesis of mine. In his report dealing with England's trouble, Congressman Herter called for a war debt conference and paid a remarkable tribute to Britain, a much greater tribute than we have had paid by hon. Members opposite. Four brief passages of the Herter Committee's report are very relevant. The report says:

"For well over a century and until the recent war, the pound sterling was the monetary unit for carrying on a substantial part of the world's multilateral commerce. This activity has languished since the war because of the inconvertibility of the pound sterling and attempts to revive it by use of the dollar, however flattering, have been unsuccessful. The dollar can probably never take the place of the pound sterling in world trade because the United States may never be an importer to the same relative extent and on as world-wide basis as the United Kingdom."

He then pointed out that the sterling balances hung like a millstone round the neck of the British economy and he called right away for a distribution of the burden and suggested that the United States must assist in calling a conference and participating in the solution, perhaps by providing the means for converting some of the sterling balances into dollars as an inducement to Britain's creditors to make substantial reductions. Even the Herter Committee recognised that the dollar could never quite take the place of the £ sterling because of the unique position of the sterling area; and of Britain in particular, in world economy.

Have we used our bargaining power enough when dis-

cussing these sterling balances? The very fact that we import four-fifths of the world's butter, half the world's egg production, half the world's cheese and half the world's tea—I could give other examples—show that we are in a strong position. Have we used that position as a buyer in world affairs to force the world to face the public enterprise of the Second World War against Fascism and to try to get equalisation of the burden amongst the ex-belligerent countries of the world? I think not.

There may be some danger in Herter's suggestion about the dollar credits, because I believe that if we allowed our sterling balances to move over completely into the dollar area and be credited by dollars, there would be a demoralisation of the pound and we should also lose future markets. I do not think we should do that. I believe that another approach to this problem can be made, and I believe that our Government, whatever may be said elsewhere, have a strong bargaining power which they have not yet been prepared to use at the international conference tables of the world. . . .

*Mr. Swingler (Stafford):* . . . It is not only true that Britain paid a disproportionate amount of the cost of the Second World War, and has suffered as a consequence of that a piling up of debts and sterling balances—as my hon. Friend the Member for Stroud (Mr. Parkin) has been discussing—but it is also true that we are already paying a disproportionate amount of the cost of the next war. It should be emphasised that today under the heading of defence, and the meeting of world-wide commitments, and by contributing to arrangements under various Acts and treaties, this country is bearing a disproportionate burden. This country is a heavy debtor nation as a result of suffering the whole course of two world wars and the enormous losses sustained in the Second World War including over £6,000 million of British overseas investments, as well as the actual physical destruction and the piling up of these debts and so on. It is an amazing situation, therefore, that this country should today be paying a higher proportion of its national income for defence—in the opinion of some people in preparation for the next war—than any other nation in the world except the Dominion of Australia.

According to figures recently published in Report No. 1265 of the United States House of Representatives Committee on Foreign Affairs, which is available to hon. Members, Britain is spending 7.6 per cent. of her national income on defence, compared with an expenditure of 6.4 per cent. by the United States, between 4 per cent. and 5 per cent. by France, 3.2 per cent. by Belgium and 2.0 per cent. by Canada. I quote those figures from memory, but I think that I have quoted them correctly. It is, I think, true that the Australians are spending some 11 per cent. of their national income on defence. It is also true that the Netherlands have a very heavy defence budget this year which I think is roughly the same percentage of national expenditure as the figure for Britain.

What is true—and again this is on the authority of the House of Representatives Committee on Foreign Affairs—is that if an average percentage were struck of expenditure on the defence preparations of all the Atlantic Pact countries, this country could reduce its budget by £147 million. We are spending £147 million more for defence than we would have to spend if President Roosevelt's principle of equality of sacrifice, worked out in terms of the national income of each country and the amount being spent on defence—that being regarded as a common effort—were applied. We find that

the United Kingdom, having suffered the consequences of two world wars, having paid out a higher proportion than the other United Nations for the Second World War and, four years after that war, now bears a heavier burden in its defence budget in relation to its national income than the other countries in the common effort, including countries which are far wealthier and which have far greater resources.

When that situation is appreciated, very little more need be said to account for the British crisis of 1949. We need to go into little more than these results of past wars and the problems arising out of defence in the past, the present and the future, in order to appreciate the position. The problem is aggravated by the fact that the trend is for the cost of war to become heavier. The cost of the last war per day per man equipped was far heavier than the first war, and in the next war it will be a hundred times greater. Anyone who has studied the defence budgets of different nations—and particularly that of this country with its global commitments—knows that the enormous cost that we have to pay is not merely due to our world-wide commitments, because Britain had these Imperial commitments during the inter-war years, but is due to the fact that modern equipment is vastly expensive and rapidly becomes obsolescent. The cost of equipment—of wireless, tanks, guns and planes—increases rapidly.

This burden of defence hangs like a millstone round our neck while we struggle to reconstruct after the world upheaval caused by the last war. On this question we must implore the Economic Secretary and his colleagues to become more tough-minded. We cannot continue to bear these burdens. If nothing can be done quickly to apply the principle of equality of sacrifice to the past, something can be done about the present. Something can be done about piling up debts in the present. In view of the criticisms made about the causes of our economic crisis, we are entitled to demand that in any arrangements, in commonly agreed foreign policies and commonly signed treaties and so on, we should not have to bear a disproportionate part of the cost.

To my mind, we are entitled to demand more than that. We are entitled to demand that we should have to pay less than what is strictly our fair share, because we have borne a disproportionate amount of the cost in the past. . . .

*The Economic Secretary to the Treasury (Mr. Douglas Jay):* . . . My hon. Friend the Member for Leek spoke of the total of the war debts both internal and external, which we have incurred, and he quoted figures of the entire National Debt as far back as 1914, compared with today. It is true that there has been an enormous increase in the total debt; from a figure in March, 1939, of about £8,280 million, to a figure at this moment of about £26,125 million. The total debt, was actually reduced by approximately £450 million in the last Budget year, as a result of the Budget surplus which we in this country, almost alone in the world, have enjoyed in the last two years. Owing to devaluation, that drop in the nominal total of the debt in sterling has been wiped out at the moment; but, of course, the figure is still less than it would have been if we had not had the Budget surplus.

At the same time, as a result of the policy of this Government in keeping low the interest rates on Government debt the burden on the present Budget is very much lower than it would otherwise have been. In 1938-39, the annual interest bill falling on the Budget was £216 million, and that has risen in the present year to an estimate of £466

million. If the average rate of interest on the National Debt today was the same as in 1938-39, the annual bill today would be £665 million. Therefore, we have saved the very substantial sum of £200 million in that fashion, and if there are any who advocate higher interest rates for Government debt, they should pause to think what that would mean in added Government expenditure.

. . . I agree with my hon. Friend that the discharge of this debt obligation—the release of sums from these sterling balances—is, of course, a call on the productive resources of this country. I do not quite accept all his figures as I understood them, but it is approximately true that if we reckon up all the gifts and loans which this country has received from the North American continent since the war, and all the aid we have given to other countries, by way of U.N.R.R.A., by way of the European Payments Agreement and in many other forms, the two totals are not so far different from one another. That in itself is an answer to the argument we sometimes hear from the Opposition that this country has been living on foreign aid since the war. . . . if . . . the Opposition are not proposing the repudiation of these obligations, then just what exactly is it that they are recommending? If they are recommending that we should get together with the holders of these balances and that we should seek by agreement to achieve a mutually agreed settlement, that, of course, is precisely what we have done. If that is what the hon. and gallant Member is arguing, however, I think he deceives himself in failing to face this basic hard fact in the situation: namely, that those who hold these balances have not, in fact, hitherto been willing to agree to any scaling down of that kind, apart from the gifts by Australia and New Zealand. . . .

*Colonel Crosthwaite-Eyre (New Forest and Christchurch):* . . . What I am saying is that as I understand it from what the hon. Gentleman has said tonight—just as he has often said before—we cannot enter into any settlement unless the other country will permit us to broach the subject.

*Mr. Jay indicated dissent.*

*Colonel Crosthwaite-Eyre:* But that is what he has said tonight.

*Mr. Jay:* I do not know how to make it clearer. I am merely saying that one cannot reach agreement between two parties unless both sides agree to the settlement.

*Colonel Crosthwaite-Eyre:* Well, that at least is an advance for which I am very grateful. Up to now the hon. Gentleman has always said, "How can we settle these debts until the other country agrees to communicate with us and discuss a settlement?" I have asked, not only the Economic Secretary but his right hon. and learned Friend the Chan-

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cellor of the Exchequer, what counter-claims have been submitted, and as far as I know I am still safe in saying that the Government have never been able to say that they have submitted one counter-claim.

*Mr. Jay:* I do not want to interrupt too much, but the hon. and gallant Gentleman must know that there was a very large counter-claim against India on account of various defence matters which was settled and duly paid, with agreement on both sides.

*Colonel Crosthwaite-Eyre:* Again, if I may say so, the hon. Gentleman is riding off the one question that really matters. That particular claim was nothing to do with sterling balances, but was entirely to do with static barracks which were in India, which were not necessary to us and which, as in the case of those in Egypt which were in exactly the same position, were paid for by the Government concerned. But that has nothing to do with this overriding question of sterling balances and their diminution, or adjustment, or scaling down, whichever verb the hon. Gentleman chooses, in effecting a just settlement.

*Mr. Jay:* I must make this clear. The balance was, in fact, written down as a result of acceptance of that claim, and therefore clearly it has been settled.

*Colonel Crosthwaite-Eyre:* No. They took over the physical assets. There was no writing down at all. They merely got physical assets for a certain sum of money. There was no acknowledgement that a sum of money should be written down because we had defended Egypt with the Eighth Army or India with the Fourteenth Army. All that happened was that His Majesty's Government sold barracks and other installations for sterling; but there was no acknowledgement in either case, either by the Indians or by the Egyptians, that they had in fact received services from His Majesty's Forces which they should recognise by acknowledging that they owed us money, therefore resulting in a scaling down of the debts.

*Mr. Orbach (Willesden, East):* Because the Egyptians did not want to be saved.

*Colonel Crosthwaite-Eyre:* That may be so, but we certainly saved them. I was there at the time. The hon. Member may know certain Egyptians who did not want to be saved, but I knew quite a number who did. I think that he would find it hard to prove that that was the official view of the Egyptian Government. . . .

Let me get back to the point that we were discussing. His Majesty's Government, from the very start, whether under the Anglo-American Loan Agreement or under what was said at the time of the Coalition Government during the war, were committed to the scaling down of these debts to a just balance. . . . They have not done a thing. They have merely released these balances.

I think it is right that we should try tonight to go one stage further and see why they have done that. I am quite certain why they have done it. The hon. Member for Leek and the hon. Member for Stroud hinted at it when they said that there was in fact a certain amount of our exports which we could afford to allow to go and not receive anything in return. The truth is much deeper. His Majesty's Government did not really care what they gave away or what they sold provided they could maintain a façade of full employment. They were perfectly prepared to make releases, which would in fact mean that whatever it might cost the country in the future, there would be no unemployment in

this country. That is all they have done.

I think we have to allow, particularly in regard to India and other such countries, that the Government have enabled this full productivity to be maintained purely by releasing money in order to enable those countries to buy from us. They know that we get no return. . . . I will conclude in the hope that the next time we have a Debate on this subject the Government will try to give an answer to this simple question: why have they done nothing concrete about these debts, and why are they allowing unrequited exports, which are such a drag on our economy at the present time and can produce nothing in return?

#### BOOK REVIEWING

(continued from page 3.)

I wrote myself for *Human Events*, from the English edition; the other, based on Mr. Henry Regner's amplified American edition, appeared, I think, in *The Christian Science Monitor*. . . . Two other books that I think were similarly ignored were Mr. John T. Flynn's study of *The Roosevelt Myth* and Mr. George Morgenstern's interpretation of the Pearl Harbour mystery. These works, to be sure, were on a somewhat different plane from those of Messrs. Reel and Belgion. They were primarily historical *causeries* and perhaps under some suspicion of political bias; but this would apply equally to many books of opposite political complexion that were given prominent treatment in the New York literary supplements; and the point of course is not that the Messrs. Flynn and Morgenstern were reviewed with hostility or disparagement. They were not reviewed at all."

Mr. Lalley gives other instances. It is not perhaps necessary for us to say that we could add to the list.

#### 1914-1939

"Stored at the Bank of England is the manuscript of a book which would probably prove embarrassing to some politicians and City men. But they may remain calm. There is small chance of its being published for many years yet.

"The book was commissioned by the Bank of England. The author was Sir John Clapham, once professor of economic history at Cambridge, who died in 1946. He was asked to write the history of the Bank for its 250th anniversary in 1944.

"Two volumes were published. They brought the history up to 1914. Sir John spent two years working on the third volume, continuing the story of the Bank's activities from 1914 to 1939.

"The published volumes made no reference to the third and few people knew he was working on it. He was the only outsider, it is thought, ever to have been given full access to the Bank archives dealing with modern times.

"Say the Bank: 'It is very much in cold storage. There is no knowing when it will be published.'"—*Evening Standard*, November 28.

#### "Disposal" of Food Surpluses

According to the Washington correspondent of *The Observer*, the F.A.O. is considering at its annual conference "its highly controversial plan for disposing of food surpluses which have accumulated as a result of the absence of purchasing power among needy nations."