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From Week to Week

What satisfaction there is (we do not share it) with the Budget derives its motive from two sources:—(1) the corrupt notion that it successfully paves the way to a party 'victory' somewhere about next October—i.e., as soon as the Coronation is conveniently out of the way, and before the 'bread and circuses' value of Mr. Butler's concoction in conjunction therewith has spent itself; and (2) the 'bread' element itself, i.e., the illusion that the Budget necessarily reduces the 'unjust price' and the total payable by individuals of the 'national anti-dividend.' To the very slight extent that it may do this, the concession is a 'loan' to the voter to be recovered later with interest—and watch to see how they do it!

Mr. Norman Smith's vivid evocation of the banker dotting the i's and crossing the t's of the credits he creates is quoted from *Hansard* on another page. The description is familiar. On the present occasion, Mr. Smith went on to define a policy which, very unfortunately, will doubtless be hailed as a Social Credit policy, and without much doubt he intended that it should be. Here it is:—

"ABOVE ALL THINGS, IT IS DESIRABLE AND INDEED NECESSARY, IF THIS COUNTRY IS TO HAVE ANY FUTURE, THAT CREDIT SHOULD BE SOCIALISED."

It cannot be too widely propagated that this is not only *not* Social Credit, but is the exact opposite of Social Credit.

Mr. Smith's policy is the policy of Socialism. Not only that, but it is the policy part-implemented of the Labour Party and of the last Labour Administration ('Nationalisation of the Bank of England'). By 'socialising' credit, Mr. Smith, in strict accordance with his Socialist philosophy, means the further centralisation of the control of credit for use by a minority of Planners usurping the name of 'society': the Welfare State backed by the full power of finance to direct it and to defend it; to exploit it.

We repeat that this is the exact opposite of Social Credit, which, so far as this technical reference goes, is the progressive *de*-centralisation of credit-power to *individuals*. The difference is absolutely fundamental. It seems useless to refer Mr. Norman Smith to the many authoritative refutations of the notion that his policy and that of Social Credit have anything in common. It would seem unimaginable that one who has so sedulously tried to attach himself to Social Credit in public should not be perfectly aware of the fact. But, if all that Douglas wrote has escaped him, there is at least the clear demonstration by Dr. Geoffrey Dobbs which appeared in these columns as recently as last

week. That anyone (say in Alberta or New Zealand, let alone England) should be in the same case as Mr. Norman Smith merely emphasises the danger to Economic Democracy in face of the pseudo-Democracy of the Ballot Box.

How great that is, we know. But so, it seems, does Lady Violet Bonham Carter, who has been writing to the *Daily Telegraph* on the (to us) fruitful subject of "Counting Heads—and Cooking the Books." (See *T.S.C.* for many months past for relevant data on both counts.)

However, it is not the cooking of the books which Mr. Smith wants to cook that attracts Lady Violet's attention, but merely the Returning Officers' books: she is writing on 'Electoral Reform.'

She says, rightly perhaps, that "as battle-cries" the words chill the heart, but ought not to paralyse the brain. (We should modestly suggest that we have never yet seen a politician do or say anything that was not calculated to paralyse the brain—of the elector at least.) She says, further, that "Counting heads may be a thoroughly bad plan. But if we accept it there is no excuse for counting them up wrong." Very well. Now suppose we reduce the scope of this proposition to much smaller dimensions—such (let us say) as do not paralyse the brain—Let us substitute, therefore, without altering the logic or the ethics of the Liberal leader's proposition, particulars more familiar to ourselves than the details of government of a great nation. Suppose we say that "Poisoning my neighbour may be a thoroughly bad plan. But if I accept it there is no excuse for counting the grains up wrong." Logically but also practically as well, we deem these two propositions identical. They are perfectly and equally sound. So what? Do I, in consequence, aim to establish a higher standard of accuracy when I measure out the arsenic? Or do I—or should I—first settle whether or not poisoning my neighbour is a thoroughly bad plan? In this case Lady Violet would, we suppose, not say merely that "it might be," nor would she assist in my pharmacy.

THE REALISTIC POSITION OF THE CHURCH OF ENGLAND

By

C. H. DOUGLAS:

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PARLIAMENT

House of Commons: April 14, 1953.

Budget Proposals

The Chancellor of the Exchequer (Mr. R. A. Butler): When I opened my first Budget some 13 months ago, I began, as is customary, with a review of the previous year. The account I gave was as objective as I could make it and was inevitably a bleak one, a story of mounting deficits overseas and of inflation at home. The difference today is very striking.

EXTERNAL POSITION

Let me first take the main achievement. . . .

. . . So, taking both revenue and expenditure together, we have on the conventional basis an above-the-line surplus for the year of £88 million, compared with a surplus which I estimated in the Budget of £510 million. Of the shortfall of £422 million, a little under half represents higher expenditure and rather over half a lower yield from taxation. The shortfall on the revenue side is, as I have explained, largely a result of the disinflationary developments of the past year. The increase in expenditure did not have the inflationary consequences it might have had if our policy of eliminating the pressure of excess demand had not been so successful in other fields.

I now turn to the position below-the-line. Rather heavier drawings by the Coal Board and the local authorities have been offset to some extent by a reduction in the demands of the Cotton Commission; and the total shortfall of receipts against payments, which I originally estimated at £506 million, has turned out only slightly higher, at £524 million.

Let me now look at the position of the National Debt. In addition to financing the net deficit on the Budget as a whole, the Debt had to accommodate the issue of a further £58 million of Coal Compensation Stock. But is benefited from, among other things, the repayment in April, 1952, of £300 million of capital from the increased sterling holdings of the Exchange Equalisation Account. This sterling holding had risen to an excessive figure as the result of the fall in the gold and dollar reserves in the previous year; and I should warn the Committee that, with the recent rise in the reserves, there may have to be a movement the other way. In all the National Debt rose by £160 million over the year.

The main changes in the composition of the Debt in the course of the year have been as follows. The Floating Debt was increased in the year by about £103 million. We took advantage of favourable markets to carry out a series of successful operations. The result is that over the year we have been able not only to provide for the repayment of maturing debt, but also to replace a certain amount of the Floating Debt with longer-term securities. We paid off on maturity £105 million of Serial Funding Stock, and £150 million of National War Bonds, and made new issues of £200 million of 1½ per cent. Serial Funding Stocks, 1953 and 1954, £115 million of 3 per cent. Serial Funding Stock, 1955, and £100 million of 3 per cent. Exchequer Stock, 1960. Repayments of small savings exceeded receipts by

£36 million and encashment of Tax Reserve Certificates exceeded purchases by £54 million.

GENERAL FINANCIAL POSITION

These transactions were in part reflected in the financial structure of the banking system. There was an increase in the holdings by the banks of Floating Debt and securities. This more than offset the decline to which I referred earlier in the total of advances and commercial bills discounted. The banks during the year have been faced with the problem of operating a credit policy somewhat more restrictive than those of which they had recent experience. They succeeded well in invigorating, rather than damaging, the industrial organism, and made their contribution towards the general easing which I have already described.

If we stand back and look at the developments of 1952 as a whole, we see clear evidence of the success of our disinflationary policies. The developments of 1952 have vindicated the strategy of the last Budget. Employment has been maintained; inflation has been checked; we have created room to expand exports—[*Interruption*]—and we have a surplus on the balance of payments. I can only say that I am glad the Committee have caught that point, because they are going to hear more on this problem of exports before I have finished this afternoon. It is a major one.

On the other hand, despite the successful past that I have announced, let us all face frankly the many difficulties, dangers and problems which are still before us: the high level of Government and other public expenditure, large parts of it inevitable, the difficulty in selling more goods abroad, the signs of under-production with short-time working, the need perpetually to watch inflationary tendencies, the absolute need to maintain confidence in sterling. So we can have no permanent satisfaction until or unless we face these anxious problems and overcome them.

EXCHEQUER PROSPECT FOR 1953-54

Now let us look at the immediate Budgetary prospect.

GOVERNMENT EXPENDITURE IN 1953-54

Total expenditure above-the-line in 1953-54 I estimated at £4,259 million, an increase of £108 million over last year's estimate. The first element in this, an increase of £48 million in the Debt charge and other Consolidated Fund services, represents about the same charge to the Budget as was actually incurred last year.

The second element is defence expenditure. In 1953-54 this will reach the large sum of £1,497 million, an increase of £120 million. This is a net figure after allowing for the sterling counterpart of defence aid already allotted to us by the United States. We have put this at £140 million—£55 million more than last year. The net figure for defence does not include certain expenditure on defence preparations coming under the Civil Votes, which amount to £139 million. As explained in the Defence White Paper, we have made a very thorough review of the defence programme. But for this, defence expenditure in 1953-54 would be running very considerably higher.

Civil supply expenditure—that is, all supply expenditure other than the defence programme—is estimated at

£2,089 million, £60 million less than last year. This reduction has been achieved against a background of increased prices, inescapable commitments and the natural development of the major services. I intend to run through the main heads in order to attempt to satisfy hon. Members who perform their classical duty of criticising expenditure. I hope to show that it is by no means an unsatisfactory result, but we must keep up the pressure during the coming year.

The social services take 60 per cent. of civil supply expenditure, the figure being £1,264 million, an increase of about £80 million on last year. There are three main causes for the increase. Twenty-four million pounds is due to there being, in 1953-54, a full year's cost of the increases in social benefits made in the last Budget. The National Health Service, excluding Civil Defence, will cost £411 million. This represents an increase of £18 million due mainly to rising costs, of which the outstanding example was the Danckwerts Award on doctors' remuneration—which was, of course, not included in last year's original estimate.

Education, including the universities, will cost £286 million—£27 million more than last year. This increase is mainly due to the growth in the number of schoolchildren, the increase in teachers' remuneration, and the need to provide new schools to match the re-distribution of the population in new towns and housing estates.

The remainder of the provision for the social services, £567 million, is almost entirely accounted for by National Assistance, £128 million; National Insurance and family allowances, £183 million; war pensions, £89 million; housing grants, £70 million; and Exchequer contributions to local revenues, £68 million.

The provision for food subsidies in 1953-54 is, in round figures, £220 million, which compares with the rate of £250 million which I set in last year's Budget as the objective to be aimed at in a full year. This reduction flows from our policy, which has already been announced, of decontrolling eggs and cereals.

The remaining items under civil expenditure total just over £600 million, about £85 million less than last year. . . .

In the field of food and agriculture this policy brings with it the twin benefits of relief for the Exchequer and increasing freedom—freedom not only for farmers and traders, but also for the housewife. I am glad to be able to announce now a further step in this direction. My right hon. Friend the Minister of Food has just arranged to buy one million tons of surplus Cuban sugar at an advantageous price. We shall be able to use this addition to our other supplies over the next two years. Under the stimulus of the Commonwealth Sugar Agreement, our supplies from the Commonwealth are growing rapidly, and we shall still rely on their efforts. But this special purchase will give us extra sugar in the immediate future.

Our purpose is to end sugar rationing and the allocation of sugar to food manufacturers, and we shall now be able to do so soon. The details are still being worked out, and I cannot announce the precise date on which rationing will end. It will take a little time to get enough sugar refined and distributed, but as a preliminary step, the ration will be increased by 2 ounces on 17th May. . . .

PURCHASE TAX

So I turn first to Purchase Tax. With the return of more normal conditions the burden of Purchase Tax at very high rates now presses almost unbearably on trade and on the community as a whole. I have also to think in this connection of the buoyancy of the revenue in the longer term and of the stability of the tax. . . .

. . . Last year I was able to introduce some easement in the classes associated with Utility schemes and now covered by the D Scheme. This year I turn to the rest of the field, and I have decided on an all-round reduction of the rates—in fact, one quarter off each of the rates in this general field—which will also have the effect of reducing the margins between them. A reduction of the 100 per cent. rate to 75 per cent. will give some help to the jewellery and silverware trades, where traditional skills must be fostered if they are not to die. I would say in passing that the fact that cosmetics happen to be in this group and will come down was not designed as a method of wooing the electorate.

Bringing the 66½ per cent. rate to 50 per cent. will affect the group of articles, including motor cars, radio and television sets, refrigerators, vacuum cleaners and washing machines, on which the tax was increased in 1951. In present circumstances there is not the same pressure on the resources of the industries concerned and to keep the tax at the same high level as before is not necessary. The 33½ per cent. rate comes down to 25 per cent. Many items in daily household use—carpets, linoleum, hardware, cutlery, bicycles and so on, will be affected. I do not suppose that even this reduction will make Purchase Tax popular but it will do much to ease trade and household purchases. Hon. Members will be aware that to go further would cause undue strain upon the position of distributors carrying taxed stocks and would be inconsistent with our acceptance of the recommendations of the Committee over which Sir Maurice Hutton presided.

There are, however, a few classes of goods where exceptional treatment is necessary. . . .

. . . Now be it noted that we shall get £100 million from this tax [Excess Profits Levy] in the coming year and rather more than £100 million in the year after, that is, in 1954-55. Before the next Budget, and with still a year of yield from the levy—that is, in 1954-55—it should be possible to make a full review of the level of taxation and of industrial taxation in particular in the light of the Royal Commission's Report. So, after much thought, I have come to the conclusion that the levy should be ended with effect from 1st January, 1954.

I am sure that it will be an encouragement to industry to know that a definite term has been fixed for the operation of this emergency tax. Following the precedent set in 1946 for the ending of the war-time Excess Profits Tax as from the end of that year, the terminating legislation will be included in this year's Finance Bill.

. . . The machines may be happier for their allowances, and the calculators for the ultimate demise of E.P.L. but we must look at industry as an organic structure of men and women. So I have examined the classical method—a reduction of the standard rate of Income Tax.

(continued on page 7.)

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The Threat of Peace

"Losses of over £1,071 millions have been made on the New York Stock Exchange as a result of Communist peace moves in Korea."

We have ceased to take the sudden changes of Soviet policy very seriously. But that does not alter the dilemma in which such oblique offers might place Washington, granted they were pressed with determination. A change of heart is a most unlikely eventuality on Russia's part; but a change of tactics is another matter. And that is all an armistice in Korea need mean to Russia. Whereas, if the United States were to take the diplomatic advances in North Korea at their face value and conclude a peace, it would most certainly be at the risk of a major economic collapse in the West, of which we have a hint in the present New York stock movements.

If, on the other hand, the offer of peace were to be refused, or met with conditions so severe as to be impossible, then the United States would be more or less openly assuming Russia's role of aggressor, the avowed military sponsor of World Dominion. We with Europe and the whole English-speaking world, would be involved in that whether we liked it or not. As things are, Washington's attitude would be our attitude, and Great Britain would find herself involved in an aggressive military bid for World Hegemony.

War is shocking and futile, even when both sides believe themselves to have the rights of it. But even those who have never heard of such an alternative as Social Credit offers, must feel that the present conflict in Korea is pointless. The slightest chance of realising the alternative should have the whole-hearted support of every thoughtful and responsible citizen.

The shocking fact is that it hasn't. To the average commercial man, the thought of a settlement in Korea is never entirely separate from the thought of a trade slump, with its hateful accompaniment of compulsory idleness and financial stringency. We can see how the mere rumour of peace depresses the New York Stock market, while with every failure at an understanding so far, along with the disappointment there has been a quickly-suppressed sense of relief. It is surely an unpleasant fact to contemplate that on this eminently Christian point of the desirability of "peace on earth," we of this age are not whole-hearted, or single-minded as our forefathers were? Instead, we approach

this serious matter almost with our tongue in our cheek.

When the public is asked to give whole-hearted support to the comfortably abstract and distant ideal of World Peace and Prosperity, typified by U.N.O., the goal so assiduously canvassed through the radio, the press and the pulpit, is one thing. But when it comes down to the immanent, specific possibility of peace in Korea, and of the drying-up of the demand for war materials and the general trade it entails, our personal feelings, our personalities, are split; the single idea of peace makes two separate and opposite impacts on the divided surfaces of our mind, the one alluring, the other threatening. Then what we most want is the thing we most dread.

Peace and Plenty was the favourite theme of domestic pictorial art in our great-grandfather's day—the yeoman resting after the day's work at his door, in anticyclonic weather conditions, a pot of ale beside him and the youngest addition to his family at his knee,—but for us the entirely natural combination of Peace and Plenty is a sentimental anachronism; there are only the alternatives of Peace or Plenty, the first in association with want and stringency, the second in association with war or preparations for it. Top-level political economic opinion in the United States does not seem to have "thought-up" anything to deal with this situation.

Writing almost thirty years ago, shortly after the First World War, Douglas observed, concerning the misunderstanding under which society laboured as to the nature of Bank Credit, that there must be something inherently at fault in a system that compelled us to build a battle-cruiser before we could buy and consume a loaf of bread. Changing conditions of warfare have rendered the battle-cruiser almost obsolete, but have not unfortunately been such as to alter the truth of his statement, though they have surely made obvious to all, what was then apparent to him almost alone among men.

If we continue to allow the making of the atom bomb (which we may assume has now taken the place of Douglas's metaphorical battle-cruiser) to stand between the citizen and his dinner, making the thing he most wants dependent on what he most fears, he will be forced again, as he has been already on two occasions, to accept the bomb for the sake of the dinner.

Techniques Incidental to Parasitism

F. C. R. Jourdain (*Handbook of British Birds*: Witherby, Jourdain, Ticehurst and Tucker. 1938) labels the Cuckoo 'parasitic.' Describing the ejection impulse which "seems to cease after the fourth day," he says: "The young Cuckoo thus hatches out in some cases before the fosterer's eggs, and it ejects the eggs or newly-hatched young one by one over the side of the nest, in which it remains alone for 20-23 days. When two young Cuckoos are hatched in the same nest, one is usually ejected by the other, but a few cases are on record where after inconclusive struggling the two birds have settled down peaceably together."

Hitler*

by DRYDEN GILLING SMITH.

When Hitler became Chancellor there were only two other Nazis in his Cabinet as against eight Conservative Ministers. The process by which the Nazis took over command has been paralleled in the late forties in the coalitions between Communists and Socialists in eastern Europe—"in each case the smaller and more radical element succeeded in taking over command." However, the *coup d'état* element of Hitler's rise to power should not be over emphasised. Many people have done this to avoid discrediting the ballot box theory of government. In the elections of March, 1933, the Nazis gained 17.2 million votes and 288 seats, their increase coming mainly from the right wing and 'splinter' parties. The Social Democrats only lost two seats, the Zentrum gained three and the Communists lost eight, these three between them polling roughly the same number of votes as they had done during the previous 13 years. There is no foundation in fact for theories that these elections were faked. Even the pressure that was said to be exercised during the subsequent elections was mainly due to the fact that "no one continued to believe that the ballot was secret." This is a misleading statement of von Papen's, since it suggests that the mere fact of a ballot's not being secret is a form of pressure. The pressure surely consists in convincing people that certain unpleasant consequences would have to be faced by those who voted in a certain way. At all events Hitler's triumph is a typical result of ballot democracy. His *coup d'état* lay in his refusing to accept constitutional limitations on the behaviour of his party, but in that he was no different from the Lloyd George Liberals, the Roosevelt Democrats, or the Attlee Socialist government of Great Britain.

Hitler's personality has been the subject of much mystical reverence and equally mystical detestation. "There was little hint of either domination or genius in his manner or appearance, but . . . He was able to dominate and impose his opinions on everyone who came in constant contact with him. Even people who differed from him fundamentally became convinced of his sincerity. . . In the early stages he gave us reason to believe that he would check the excesses of the Brownshirts and the radical elements in the party. . . . When we protested in the Cabinet at the early offences against the Jews or of political opponents being deprived of their freedom, he often flew into a rage at the lack of discipline among the Brownshirts and their leaders, and issued furious instructions for order to be re-established. . . . He backed up with enthusiasm my efforts to support the rights of the Churches by special treaties, though knowing full well that these privileges would meet with violent opposition from many of his supporters; he must have known also that with the influx of former Socialists and Communists who flocked to his banners, this opposition would grow." Because of his belief in his own infallibility he always avoided being out-voted, postponing any decision which met the opposition of the majority of his ministers. "For this reason alone, the best way of influencing him was by private conversation, rather than in committee. . . . Among those not bound to him by party ties or any other

dependent relationship, I was probably the person who most frequently had discussions with him. We talked more of our ideological differences than of actual political problems, and in conversation I found him perfectly normal. He was apt to drift into long monologues, but he was always open to contradiction and took no offence when he was interrupted."

"His influence on individuals extended even to the President, whose early suspicions soon gave way to a feeling of confidence." He also had an unexpected influence over the army. Hindenburg's choice of a Defence Minister, von Blomberg, proved himself almost immediately a strong sympathiser with Hitler" and although he was opposed by the vast majority of senior officers, the old Prussian conception of obedience and discipline meant that this influence was paramount. R. T. Paget in his biography of Field Marshal Manstein, adds to this picture: "Hitler received from his army a share of that mystic reverence that is the heritage of Princes. . . . They distinguished the Fuehrer from the party which they disliked . . . and from the arrogance of village Hitlers. . . . Hitler did not discourage antagonism between the army and the party for this was the sort of division upon which he based his personal ascendancy." Mr. Paget's book also throws some light on the *nature of authority* in his explanation of the events which gave Hitler his authority over the army. Hitler gave the orders to re-occupy the Rhineland only a few hours before the operation was due to commence. Generals von Fritsch and von Blomberg opposed the move as there were only three German divisions available and the French were believed to have thirteen divisions mobilised. "Hitler refused and proved right. From this date Hitler's ascendancy over the army high command commenced. *It was based on having been right.*"

A great deal has been written about the Enabling Law as the blank cheque which provided the basis for Hitler's dictatorship, but few (among those who later proclaimed themselves as heroes of the 'resistance') have explained how it came to be passed with the necessary two thirds majority. There were 647 seats in the Reichstag and Hitler obtained 441 votes for the Enabling Law, though his own party only held 288 seats. The Zentrum party, the Bavarian People's party and the Christian Socialists all voted for the Law, and even had the Communists been present, they could not have prevented the two thirds majority.

Of the Reichstag fire, which proved such an excellent propaganda weapon against the Communists, that it has always been assumed that the Nazis caused it, von Papen gives us an amusing picture. "When I finally made my way inside, I found Goering in one of the badly damaged corridors, where, in his capacity as Prussian Minister of the Interior, he was giving orders to the firefighters." One is reminded of the antics of another Home Secretary, Winston Churchill, in his famous publicity stunt, 'the battle of Sidney Street.' After the fire, "Hitler wanted to ban the Communist Party altogether, but I objected strongly. . . . I believed also that banned political parties always end up as underground resistance movements. When the Communist Party was forbidden in the following April, many of its members underwent an apparent conversion and joined the Brownshirts. . . . Rudolf Diels, Chief of Police

*Franz von Papen—*Memoirs*, André Deutsch, London, 1952.

in Goering's Ministry, who, according to von Papen, knows the background of the early Nazi years as well as any man, has commented: "From a few weeks after the fire, until 1945 I was convinced that the Nazis had started it. Now I have changed my mind."

While von Papen remained Vice Chancellor, he tried to influence Hitler, Goering and Frick to put a stop to the lawlessness of the Brownshirts. Before long his department became known as the 'Reich Complaints Office,' and found itself dealing with a flood of protests against Nazi excesses. In many cases he was successful in obtaining satisfaction for victims of these excesses "but often, I fear, we were not. His two chief departmental assistants, Bose and Ketteler, were later killed by the Nazis. Their work provides a contrast "to those who now claim to have opposed the regime, but who preferred at the time to keep their criticism to themselves."

Von Papen wished to tie Hitler to an agreement with the Vatican, that would take advantage of his friendly disposition towards the Church, and curb the influence of his radical and anti-clerical supporters. In the late Spring of 1933 von Papen went to Rome. "I was greeted with full state honours from the moment I crossed the Italian frontier. Though my mission was still a private matter, Mussolini, whom I met for the first time, gave it his enthusiastic support. I found the Italian dictator a man of very different calibre to Hitler. Short in stature, but with an air of great authority, his massive head conveyed an impression of great strength of character. . . . Hitler always had a slight air of uncertainty, as though feeling his way, whereas Mussolini was calm, dignified, and appeared the complete master of whatever subject was being discussed. I felt he would be a good influence on Hitler; he was much more of a statesman, and reminded one of a diplomat of the old school rather than a dictator. He spoke excellent French and German, and this considerably facilitated the exchange of ideas."

Von Papen felt that his proposals for a concordat with the Church would enable Hitler to feel that he had the support of the German Catholics and could therefore take a firmer stand against the radical elements in the Nazi party. Only those who had lived through the period of Social-Democrat anti-clericalism could realise what a great advance was Hitler's agreement of complete freedom to confessional schools throughout Germany. However, by June, 1933, Goebbels and Heydrich had got wind of the terms of the agreement and started a campaign against "immorality in monasteries," and showered Hitler with pleas and arguments against the signing of such a 'diabolical document.' Hitler promised the Papal Secretary of State that he would clamp down on the offenders of the vicious press campaign, so the final agreement was signed on July 20. Von Papen has often been attacked for negotiating this agreement as a trick to hoodwink the papacy. We have already seen by what channel the papacy was able to get information on conditions in Germany, *viz.* the Cardinal who was later to become Pope Pius XII. In 1945 His Holiness testified to the value of the concordat: "Without the legal protection afforded by the Concordat, the subsequent persecution of the Church might have taken even more violent forms. The basis of Catholic belief and enough of its

institutions had remained intact to permit their survival and resurgence after the war."

• • •

The first change in the 'non-party' cabinet came when a new post was created for Goebbels, that of 'co-ordinator' of foreign propaganda. "Both intellectually and polemically he stood head and shoulders above the rest of us . . ." At that time he was in his early thirties and a doctor of philosophy. "Despite the physical disability of a clubfoot, he seemed to suffer no inferiority complex. He had a biting wit and a gift for venomous sarcasm. However he could be extremely charming when the occasion demanded it. "His underlying contempt for all traditions was frequently in evidence. On one occasion he accompanied von Papen on an official visit when the latter was wearing the uniform of the old German Army." "What a wonderful fancy dress," he remarked sarcastically. At the first Cabinet meeting at which he was present, he gave a lecture on propaganda. He described how during the years of party struggle "Whatever decisions we took during those years, we prepared the ground by the incessant repetition of suitable slogans, until the party members believed every word of them. We shall now have to use the same methods to convince the entire German nation of the necessity for the government's economic and political measures."

In the Cabinet, Frick, the Nazi Minister of the Interior, was a nonentity. A lifelong civil servant he only spoke when he was spoken to. Goering and Goebbels were more than a match for the other eight members of the cabinet on the grounds of personality alone. "They attacked every problem and countered all criticism with the furious *élan* of the rabble-rouser. After one sharp discussion I remember telling Goering that if he did not agree with our ideas he could always resign. He flung himself across the table at me and retorted, 'You will only get me out of this room flat on my back.' If Goering imposed his ideas by the sheer weight of his personality, Goebbels employed the infinitely more subtle methods of the dialectician. He always avoided the root of the matter under discussion and was the master of us all in debate. At this period the influence of Diels, the chief of police, von Papen himself (both upon Hitler directly and upon Hindenburg, who in turn exercised a restraining influence on Hitler), and the rest of the Cabinet, succeeded in restoring some measure of normality." Goering issued an ordinance which required that ministerial approval must be obtained in all cases of political imprisonment, otherwise the prisoner must be freed within a week. Diels states that according to figures at his disposal, the number of political prisoners in Prussia by Christmas, 1933, did not exceed 3,000 and after the amnesty in February, 1,800 prisoners remained in two camps. It was in 1934 that the situation took a turn for the worse when Himmler and Heydrich took over the Gestapo, and even Goering lost control over it.

By the autumn of 1933, the radical elements of the Nazi party had started a campaign against the 'outmoded' theories of individual freedom, equality before the law, and the independence of the judiciary. Roehm, the Brownshirt chief of staff, was agitating for conscription, in an attempt to gain military status for the Brownshirts so that he could

have the post of Commander in Chief. No doubt Hitler realised the threat that another 'political general' of this sort would be to his own position. In the meantime he played for time, until he was sure of the loyalty of the army to himself, and until the latter had been strengthened by the increased expenditure of money on defence by the new government.

(To be continued.)

PARLIAMENT—

(continued from page 3).

I find that more than half the benefit of such a reduction would go to corporate industry and the rest to individuals in every walk of life, in trade, agriculture or the professions. I therefore propose that the standard rate of Income Tax should be reduced by 6d.—from 9s. 6d. to 9s. in the £. This of itself will cost £64 million in 1953-54 and £73 million in a full year. At current levels of profits and distributions—and this is why I am impressed by its value for industry—the reduction of 6d. would represent £45 million relief on the undistributed profits of companies—a very potent augmentation of the company reserves available for maintenance, innovation, and development, upon which, I trust, it should be spent.

I have not forgotten the smaller incomes, and with this proposed reduction of 6d. in the standard rate of Income Tax I link proposals to reduce each of the reduced rates by 6d. At present the first £100 of taxable income is charged at 3s. in the £; the next £150 at 5s. 6d. and the next £150 at 7s. 6d. These rates, for the same bands of taxable income, will become 2s. 6d., 5s. and 7s. respectively. Thus the benefit of the reduction in the standard rate will be carried down, without restriction, to the lowest incomes that are liable to Income Tax. The cost of this concession in reduced rates will be £53 million in 1953-54 and £61 million in a full year.

. . . I will give the final figures. This year the reductions in Purchase Tax and other Customs and Excise Duties will cost £45 million. The minor easements will cost £7 million. The reduction of Income Tax will cost £117 million. This makes a total reduction in taxation this year of £169 million. I told the Committee that the prospective surplus was £278 million. As a result I shall carry forward a surplus above-the-line of about £109 million, some £20 million more than the surplus above-the-line realised last year. This is, I believe, about the right amount, taking into account the wider economic and financial issues which I have discussed. Next year the cost will be £259 million.

The success of the policy I advocate will depend on the extent to which industry and the public respond to the call.

Mr. Norman Smith (Nottingham, South): . . . But that is not the main complaint that I have against this Budget Here is the Chancellor using phrases like these. He said, "The menace of inflation was lifted in 1952." He said inflation had been checked in 1952, and yet what happened in 1952? We have been told that the danger of inflation is the danger of an excess of money—far too much money knocking about. The Chancellor said—and he reiterated it several times this afternoon—that in the last 12 months that danger has been checked; indeed, he used the word "lifted." Anybody would therefore think that in 1952 the

amount of money in the country had decreased, but it had not decreased. On the contrary, the amount of money actually circulating in the country, so far from having decreased, had substantially increased, and the extent of the increase was given in the Economic Survey for 1953 as £119 million, that being the increase in the aggregate of bank deposits during the year.

This sum of £119 million was brought into existence out of the void, out of nothing; it was merely the consequence of a book transaction. The bankers dipped their pens into their inkwells and made entries in their books, and, lo and behold, there was £119 million more at the end of the year than there was at the beginning. Now, the "Economist," last Saturday week, gave the figure not as £119 million; that paper said that, by mid-March, bank deposits were up by nearly £160 million, which is a good deal more.

This business of the banking machine bringing money into existence out of nothing was in full swing during the year 1952, when the total of bank deposits increased by £119 million, on the Government's own admission, and yet, in spite of that fact, the Chancellor can repeat today that inflation has been abated. Inevitably therefore, the Committee is driven to the conclusion that the amount of money in the country represented by banks deposits can be substantially increased without there being inflation, and that, of course, is only common sense.

If I may use a *reductio ad absurdum*, if half-a-dozen Englishmen were wrecked on a desert island, they could proceed to operate a simple economy and could manage with a certain quantity of money, but if we have 50 million people living in these islands, they will want more money than the six men on the desert island. It follows from that, therefore, and it is pure and simple reasoning, that if in 12 months we have an increase in the population and increased productivity, the probability is that we shall want more money. Indeed, the total amount of money in this country has been increasing at a steady rate ever since I was born 63 years ago. In 1914, bank deposits were £1,000 million; in 1919, £2,000 million; and in 1945, £4,400 million. They are now £6,000 million, and all this extra money has been brought into existence out of nothing by bankers dipping their pens into inkwells and creating money.

Lest the Committee should not be able to understand this, let me remind them that in this country nearly all business is done, not with the notes in our wallets or the coins in our trousers pockets, but with cheques met by bankers after creating money, and, in that way, making it possible to circulate more cheque money. Most business transactions in this country are conducted by cheque money, but, listening to the Chancellor today, nobody would dream that the quantity of money in this country was regulated by the bankers. That is a fact about which the right hon. Gentleman said nothing, but it is true.

The Chancellor made the valuable admission that notwithstanding a substantial increase, namely, £119 million, in the quantity of cheque money in the country, there is still an abatement of inflation which happily puts an end to the nonsense talked about inflation being the simple reply to the argument of people like myself who say that just as it is right, and has been recognised as right for centuries, that coins

should be minted only by the State and that private enterprisers who try to mint their own coins should be punished as criminals, so it is right that new money brought into existence in order to circulate as cheque currency, in the way that bank deposits do, should be brought into being not by the commercial banks, but by the Treasury.

I suggest that this £119 million should have come into existence in the form of Treasury cheques supplied to the Bank of England. It would be a mistake if money created out of nothing were year by year to be used merely to pay off the floating debt, or any other debt. If it were used for that purpose, all that would happen would be that the taxpayer would be relieved of £119 million of floating debt, costing him $2\frac{3}{8}$ per cent, and that the banks would have an extra £119 million to lend by way of advances to industry at something like 5 per cent. Above all things, it is desirable and indeed necessary, if this country is to have any future, that credit should be socialised. . . .

. . . It is only common sense and common decency that this annual increment of money which circulates as cheque currency should be created by the Treasury and used by the Government not merely in order to repay debt, but to get for the country an active equity interest in modern up-to-date factories and so gradually build up a non-tax revenue for the country. That is what has got to be done. From what I can see of it, poor old John Bull owns nothing except debt.

So far as I am aware, no one in this Committee has ever put forward any suggestion for decreasing the national debt. I do not particularly want to decrease it, but, as the years go on, I want to build up a national credit account represented by Government holdings of equity stock in the best and most modern industrial concerns, and to build up as the years go by on an ever increasing non-tax revenue in order to counteract the debt interest which this country has to meet. . . .

. . . It is not enough to socialise the annual increment of cheque money, because I do not believe there will be any effective planning of industry in this country until the commercial banks are nationalised. The biggest blot on the Budget is that the right hon. Gentleman has done nothing whatever to meet the most pressing need of the country today, the redeployment of labour and capital. Both men and factory capacity must be taken away from the less essential industries to the more essential industries. The more essential industries I would describe as those on export trade and on capital renovation and capital expansion.

Nothing in the Chancellor's Budget does that. He gives certain tax concessions mainly for firms, and leaves to them the choice of what they do with the money that they save. That, indeed, is not even capitalist planning. It is capitalist anarchy. It does nothing whatever by way of diverting workers and factory capacity from less essential to more essential industries which must be expanded and developed if this country is to survive. That is the worst blot on the Budget.

Yet it would be possible for a Socialist Chancellor, if he carried out a Socialist monetary policy, to discriminate most effectively in favour of the essential against the inessential. . . . A Socialist Chancellor will not be able to exercise adequate

control over the industries of the country, and he will not be able to carry out what he fondly imagines is Socialist planning unless and until he nationalises the commercial banks.

. . . If these banks were nationalised, as I advocate, the Government would be giving the shareholders a most generous deal if they said, "It is true that you had less than £6 million last year and you have had no more than £5½ million most years since 1932, but we will give you in compensation in perpetuity your 1929 figure, namely, £9.7 million. The Government would be treating them very generously indeed. The Government could then take over the banks and, having done so, would become possessed of the banks' assets. That is pretty obvious.

Among the assets of the banks are their investments, which consist pretty well exclusively of Government securities. The Government would become possessed not only of the declared investments but also of the banks' share of the floating debt, which is in Treasury bills. If one adds together the banks' investments plus their share of the floating debt then in 1951 the figure was, I believe £2,736 million. Last year it went up, mainly because of the housing finance, to £3,285 million.

However one works it out, the interest on £3,285 million less tax is a good deal more than the £9.7 million which I propose should be paid to the shareholders by way of annual compensation in perpetuity. So, having nationalised the banks and having become possessed of their assets including investments, there would be no sense in the Government paying interest to themselves. What the Government would do would be simply to substitute for these investments and Treasury bills non-interest bearing currency certificates or, in plain English, currency notes not carrying interest; so there would be still the deposits to meet the obligations. The Government would get rid of the investments and there would be actually a saving, because they would save more net interest than they would pay out to the shareholders. . . .

. . . I have thought in terms of revolutionary construction for the last 46 years. I still think in those terms. I still look upon the age in which we live as an age of tremendous opportunity, if only we will grasp it. We have got to put behind us these mid-Victorian ideas which the Chancellor of the Exchequer, speaking like a university don, enunciated so cold bloodedly this afternoon. We have got to think in terms of the nation's credit being used for the nation's industry. We have to think in terms of Socialist control and Socialist development of this country, and not of the fantastic attempt to bolster up a decaying capitalism, which is the real motive for the Chancellor's Budget.

DR. AND MRS. C. G. DOBBS would welcome, for periods up to a week or ten days during August, 1953, a few people as (expense-sharing) guests who would be interested in combining a holiday in North Wales with a serious study of Social Credit. Applicants should be annual subscribers to *The Social Crediter*, or strongly recommended by social crediters of long standing.

Enquiries should be made to Mrs. C. G. Dobbs, Bodifyr, Bangor, Caernarvonshire.