

THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

Vol. 63 No. 4

JULY - AUGUST, 1984

Registered by Australia Post
Publication No. NBH0274

The Brief for the Prosecution

By C. H. DOUGLAS

This is the last of the contributions to the understanding of world politics written during the War of 1939-1945 by Major Douglas. The series began with *This "American" Business* (1940) and continued and expanded with *The Big Idea* (1942), *The "Land for the (Chosen) People" Racket* (1943), and *Programme for the Third World War* (1943).

Chapters of *The Brief for the Prosecution* appeared serially in *The Social Crediter* between May and September 1944. Full publication in book form was in 1945 with a Preface with which we commence the reprinting of this incomparable commentary on the causes of war and the ultimate seat of responsibility for the threat to civilisation, so much more imminent now.

PREFACE

THE tendency to argue from the particular to the general is a special case of the sequence from materialism to collectivism. If the universe is reduced to molecules, ultimately we can dispense with a catalogue and a dictionary; all things are the same thing, and all words are just sounds—molecules in motion. That is the ultimate meaning of "Equality"—having no quality.

There is a close connection between this mental attitude and the curious failure to notice the outstanding feature of our time. We know that our society is very sick; some, at least, of the causes of the disease have been isolated; we observe the great difficulty which is experienced in obtaining effective action in any one country in regard to these social poisons; but we rarely devote any attention to the question which transcends in importance any other with which we have to deal on this earth. Why is it becoming *more* difficult to bring peace upon earth, and to make effective, goodwill between men? What is the dynamism which will encourage the conquest of the earth, the sea and the air, but will only permit the substitution of poverty by slavery? Why does the mouthing of the phrase "the Common Good" merely ensue in individual evil?

More particularly at this time, there is a tendency to exalt War into a cause instead of a symptom. The more closely the structure and psychology of war is studied, however, the more clearly it appears that war is neither a cause nor a symptom, but a method. In the words of Clausewitz, "War is the pursuit of policy by other means." Once this fundamental idea is grasped, the fact that wars occur in the face of the expressed desire of all but a small fraction of the world's population to remain at peace, takes on a new aspect. What is it which is strong enough to plunge the world into a cataclysm of destruction at decreasing intervals, against "the common will"?

We shall find the answer to this question, if at all, in the period of uneasy truce between 1918 and 1939.

C. H. DOUGLAS.

Perthshire, 1945.

PART I CHAPTER I DEFINITIONS

IN the main, the indigenous British do not take kindly to explanations. Whether by education, heredity, climate, diet, or the accident of geographical situation, and all of these have been adduced in extenuation, we distrust logic, prefer action or experiment, and view life as a process of dealing with situations as they arise. It has to be conceded that the technique has produced remarkable results, and it would be a poor service to its exponents to suggest that the qualities it requires are not worthy of honour and cultivation.

But it has inadequacies, and one of them has been much in evidence during the armistice years. It requires a policy outside itself—if you prefer the word, a religion—a binding back to reality. Faced with policies of a deductive character, based, not so much on experience as on ideals, (using the word in its popular, rather than true sense), the "practical" man has a strong tendency to allow himself to be deprived of the tools of his own method. He isn't interested in theories; and when the steady prosecution of courses based on a theory results in a global war, he is discovered to be not merely without mental, moral, and material equipment, but committed to obtain them on ruinous terms.

Nevertheless in 1940, when the native had shaken himself loose from some of the fetters forged for him by the idealist, he once again demonstrated his active power of survival. It was not the planners who saved at Dunkirk the British Army which they had insisted should be centralised under the senile incompetent Gamelin—it was the Baconian little ships. But the operative word in this observation is "when." It is one thing to say that inductive *methods*, given time and direction, are sound. It is quite another to say that time will always be given. And most of the time available in which to counter a menacing situation is lost in deciding what is the nature of the situation, more particularly if you don't know what it is you are trying to do.

Dr. Arnold Toynbee, the Secretary of the Royal Institute of International Affairs, informs the harassed Briton through the medium of its Journal that "we" are working feverishly but with all "our" might, to undermine the sovereignty of "our" respective nations (which implies undermining the property rights which have been transferred from individuals to the "nation") and thus conferring it on some still more mighty, but studiously unspecified recipient. Almost before Dr. Toynbee has finished speaking, Herr Hitler undermines the sovereignty of most of the nations of Europe,

and Mr. Churchill, amidst approving applause from as far away as North America, announces that "we" will fight him on the beaches and in the streets, and "we" will never give in. At the same time, Dr. Toynbee and his staff are provided with comfortable occupations in the pleasant city of Oxford, presumably to go on undermining national sovereignty at the expense of the British taxpayer. It must be admitted that all this renders the deductive or idealistic method very complex and difficult to understand.

The difficulties do not end with the contradictions between what he is told and taught to think, and what he is ordered and forced by circumstances to do. He feels that, while the idealist knows where he is going, but not for publication, he himself can't quite see where he is bound, yet is on his way. Mr. Eden assures him that although the New Order must be built through war, it will be built notwithstanding. Herr Hitler says he has built it. So far as can be seen, the New Order has a common characteristic either as sponsored by Mr. Eden, or as constructed by Herr Hitler. Millions of uncivil servants appear as though by the wave of the Wicked Fairy's wand, and "order," with, on the whole, disappointing results. General Dittmar somewhat surprisingly suggests that even in Germany, "the selfishness of governmental departments which do not look beyond their own sphere, and disregard the interest of the nation as a whole" (German Radio, January 25, 1944) must be curbed. Idealists everywhere view with alarm, the language used to describe the backbone of the Classless State, "Returns in triplicate, accompanied by the appropriate vouchers." Unregenerate yeomen have been heard to say that if half the inspectors who are paid comfortable salaries, with travelling expenses, rendered on the prescribed Form, to hinder farmers from carrying out repairs to buildings, could be taught the elements of bricklaying, they would go far to remedy the shortage of building labour besides permitting that which is available to do a little work.

And then, there is Russia. Since the Dreyfus Case, with which Russia has, perhaps, more in common than would appear at first sight, no subject has provided so widespread an opportunity, not merely for dogmatic and mutually exclusive statements on matters of fact, but for arguments which seem to close for a considerable time the enquiry as to whether mankind really is a reasoning animal.

Even taking the highest figures put forward by those concerned to support the idea that National Socialist Germany is anti-Jewish, the alleged atrocities against continental Jewry do not come within millions of those committed by the Soviet Government in one operation alone—the "collectivisation" of agriculture. But the world rings with the woes of the Chosen, while Russia is idolised by multitudes. Eugene Lyons, a Communist by conviction, a trained observer, one-time United Press correspondent in Moscow, and subsequently on the staff of Tass, the official Russian Press Agency, in his book, *Assignment in Utopia*, observes:—

"A population as large as Denmark's or Switzerland's was stripped clean of all their belongings—not alone their land and homes and cattle and tools, but often their last clothes, and food, and household utensils—and driven out of their villages. They were herded with bayonets at the railway stations, packed indiscriminately into cattle-cars and freight-cars, and dumped weeks later in the lumber regions of the frozen North, the deserts of Central Asia, wherever labour was needed, there to live or die. Some of this human wreckage was merely flung beyond the limits of their former villages, without shelter or food in these winter months, to start life anew, if they could, on land too barren to be cultivated in the past. . . . Tens of thousands died of exposure and epidemic diseases while being transported and no one dared guess at the death rate in the wilderness. . . . I saw (my emphasis) batches of the victims at provincial railroad points, under G.P.U. (Ogpu) guards, like bewildered animals staring vacantly into space. Those meek, bedraggled, work-worn creatures were hardly the kulaks of the propaganda poster."

Try reading that extract at a "Workers" meeting in any industrial town.

Mr. Max Eastman, the friend of Lenin, who spent years in Russia during its most formative period, remarks "instead of being better, Stalinism is worse than Fascism, more ruthless, barbarous, unjust, immoral, anti-democratic, unredeemed by any hope or scruple. . . 'it' is Socialism, in the sense of being an inevitable though unforeseen political accompaniment of the nationalisation and collectivisation which he had relied upon as part of his plan for erecting a classless society" (*Stalin's Russia*, 1940, p. 82).

While Mr. F. A. Voight obligingly completes the picture by remarking in regard to Germany "Marxism has led to Fascism and National Socialism because, in all essentials, it is Fascism and National Socialism" (*Unto Caesar*, 1939, p. 95).

That is to say, Socialism and Fascism stem from the same root. It is part of the purpose of this book to show that practically all forms of economic, industrial, and political totalitarianism can be traced to the same root.

The idea uppermost in the minds of the working-class idolater of the Soviet system is that the rich have been abolished. In 1939, only 22 years after the Bolshevik accession to power, Trotsky (Bronstein) who ought to have known, stated "the upper 11 or 12 per cent. of the Soviet population now receives approximately 50 per cent. of the national income" (quoted in *The Managerial Revolution*, J. Burnham, 1942, p. 43).

This differentiation is sharper than in the United States, where the upper 10 per cent. receive 35 per cent. of the national income.

The situation of the 88 per cent. in Russia is immeasurably worse than the similar residue in England or the United States.

Until recently, it was a commonplace of "Labour" propaganda that war is a device of the "Capitalist." If you are careful to define your terms, and associate the word "capitalist" with the favourite Socialist ideal, "internationalism," there is probably a good deal of truth in the statement. But Russia, the idol of the proletariat, is considered to have demonstrated the success of Socialism by first provoking, through a non-aggression pact with Germany, and then waging, war on an unprecedented scale. Even in this, a population of two hundred millions, embodying traditionally brave soldiers, would in all probability have been decisively and irrevocably defeated by a country, Germany, of eighty millions, unless assisted by Great Britain, a country of forty-five millions which had withstood Germany single-handed for a year.

My object in traversing a somewhat familiar terrain is not so much to attack or condemn any particular body of opinion, as to bring into relief something which forms a peculiar handicap to our native talent for "dealing with situations as they arise." "Situations" present themselves to our judgment in words spoken or written. It is evident, that, to a considerable extent, words have come to mean, not merely what we want them to mean, but what we want them to mean in regard to a particular subject.

This is confusing, and an effort to resolve the confusion in respect of a few of the commoner words of political controversy seems to be overdue. That this confusion is not accidental, but deliberate, is unfortunately true. Perhaps as good a key as any to the fundamental policy is provided by the remark of Lord Haldane, who, it will be remembered, claimed that his spiritual home was in Germany. He was asked why he persuaded (!) Sir Ernest Cassel, one of the richest men in the world, to settle large sums on the London School of Economics. He replied "Our object is to make this institution a place to raise and train the bureaucracy of the future Socialist State" (*Quarterly Review*, January, 1929).

It will be noticed that a special education, differing from that of the existing Schools was necessary. And an inspection of the teaching staff indicates that this was to be inculcated primarily by German—or Russian—speaking Jews. It is ludicrous to suppose

that Sir Ernest Cassel, a German-speaking Jew, provided large sums in ignorance of their objective.

In this connection, the growing revolt against pseudo-science is significant. It has been observed in many quarters, and notably by Dr. Tudor Jones, F.R.S.E., that modern science is becoming a mass of superstitions. The tendency of modern, and even not-so-modern Universities to produce communists has been traced to the insistence of their teaching staffs on the unlimited validity of such theories as that of Darwin, largely discredited in informed quarters, but presented to immature minds as fully established.

CHAPTER II

THE POLICY OF MONOPOLY

FRANCIS BACON, Earl of Verulam, may not have been the first man to apprehend our danger. But his emphasis upon the necessity of "restoring or cultivating a just and legitimate familiarity between the mind, and things" strikes a pure note of consciousness which establishes it as an authentic scripture. Confronted with some of the words around which so much of our modern politics revolve, such as "the State" or "the Nation" he would have instantly demanded to be led to him. A Queen he understood; but to be told that her condition (state, from *L. status*) could be, and should be separated from the person in occupation of it, would have appeared to him to be a gross superstition into which the barons at Runnymede were careful not to fall. To him, and to most of his contemporaries, everyone had a "condition." Their consequence was precisely measured by what they did with it. He understood the Doctrine of the Incarnation.

If Bacon had been told that the country's minerals were "nationalised" and he could have grasped some idea of the strange new word, he would probably have asked what the Queen could do with them. The statement that they *ought* to be nationalised he might have ridiculed as "being vertiginous, or in the way of perpetual rotation." But if told that the minerals were to be put at the disposal of a monopoly, he would have understood.

To put into contemporary terms the way his mind would have worked, we might say he would have asked "Do I get cheaper coal? More coal? Better coal? If I don't, is there some new, rapid, effective way by which I make my dissatisfaction felt upon those responsible? No? Then who is benefiting?"

He would have gone to the heart of the problem. He would have grasped at once that here was the Divine Right of Kings in operation, raising up this man, and putting down that. Two things would have concerned him. Where is the King? Is he doing a good job?

To leave the wise and witty Francis at this point to which he has led us, we can see that the transfer of powers and privileges from an individual to an organisation simply means the transfer of those powers and privileges to the persons controlling it. The organisation is an accommodation address. The police always suspect them. To call that organisation the State or the Nation, is quite legitimate if you are quite clear that you have put the Divine Right of Kings into commission. If you imagine that there is anywhere in the world either a democracy or any other system, which confers on Mr. John Citizen an effective control or a beneficial share in those powers which he has been persuaded or jockeyed into transferring from a tangible to an intangible executive, then you are labouring under what may quite possibly prove to be a fatal delusion.

At the time of writing these lines (January 1944) it is already evident that "monetary reform" is coming out of the wilderness into the most respectable circles. That is good. But the idea that John Citizen must automatically benefit thereby, is premature. Various well-meaning if somewhat naive organisations have stated, as though it were both axiomatic and desirable, that only "the State" has the "right" to issue purchasing power. That is the Divine Right of Kings complex once again. Mr. Montagu Norman, Governor of the Bank of "England" may be heard to murmur "Nationalisation? We welcome it." A much abler, if less theatrical

banker, Sir Edward Holden, Chairman of the London, City and Midland Bank (Midland Bank) during the 1914-1918 war, when told that his policy was leading directly to nationalisation of banking, replied "Well, I don't care. I should still manage it."

To put the matter quite shortly, transfer of power almost certainly means transfer of policy. We have seen the transfer of power. What is the policy? Whose is the policy?

The policy is MONOPOLY.

We shall see in the course of the following pages that its source can be identified within fairly narrow limits. It is preferable to establish its realistic implications, as well as the devices employed to bring it into actuality before concerning ourselves overmuch with personalities. They can wait.

Perhaps the most useful phrase in the lexicon of the world plotter or planner, is "common ownership." To the simple man "common ownership" means ownership divided amongst common men, of whom he counts himself. But any lawyer would tell him that common ownership means transfer of control to an administrator, who in theory, distributes the usufruct (not the thing "commonly owned," which must on no account be touched by any one of the common owners). You, reader, are a common owner of the Post Office, which is nationalised. Go into the nearest branch, and remark that you will take your share in office pens, collect all the pens in sight, and move for the door. You will receive a lesson in common ownership.

You may now observe that as you are a common owner, either you ought to be served by the Post Office free of charge, or, alternatively, obtain your share of the usufruct in the form of a handsome dividend. The shareholders of the Bell Telephone Companies of America, which are not nationalised, do obtain such a dividend. The service is better, cheaper, and more flexible. There is an underground attack on the Bell Telephone system exactly similar to the attack on dividends in this country. If successful, which is unlikely, the American public will pay more for its telephones, receive no dividends, and get a worse service. But they will be "common owners." The distinction between joint shareholders and "common owners" should be noted.

You will be told, not merely by large "capitalists," but by their ostensible antagonists, the Labour-Socialists, that monopolies are inevitable, competition is wasteful, and "industry demands large units on the score of efficiency." You will be perhaps puzzled to find that the conflict in the economic world is not so much between cartels, monopolies and nationalised industry and property, as between all three and small businesses and privately-owned property.

Let us not jump to conclusions. It is not difficult, as we shall see, to identify monopolisation, in its varying forms of cartel, "public corporation" on the model of the "B." B.C., the London Transport Board, or the Tennessee Valley Authority, or outright State ownership of the Russian type, as being a policy, not an automatic and inevitable process, as we are asked to believe. That by itself does not condemn it, although it does put it on the defensive. We are concerned to know whether the New Order is better, for the majority, than the Old. Let us begin by examining its claim to "efficiency."

In the days when London Clubs enjoyed a certain prestige, it used to be said of one of them that it was highly thought of by those who didn't belong to it. The word "efficiency" appears to have the same fascination to those numerous people who don't know its meaning, and believe it to be an adjective, rather than an abstract noun.

Efficiency, contrary to this widespread idea, is something capable of exact definition under certain circumstances, and completely meaningless in the absence of them. Generalised in a form suitable for application to political economy, it means the measure of success in exchanging something which you are prepared to sacrifice, for something which you prefer. It is clear that to have a meaning in political economy, you must have a unit common to "sacrifice" and "preference."

(Continued on page 5)

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FOR POLITICAL AND ECONOMIC REALISM

This Journal expresses and supports the policy of the Social Credit Secretariat which was founded in 1933 by Clifford Hugh Douglas.

The Social Credit Secretariat is a non-party, non-class organisation neither connected with nor supporting any political party, Social Credit or otherwise.

Annual subscription: \$6.00

Offices: (Editorial and Business) Tidal Publications, 11 Robertson Road, North Curl Curl, N.S.W. 2099.

English Edition published by K.R.P. Publications Ltd., 26 Meadow Lane, Sudbury, Suffolk CO10 6TD.

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The Menace*

In September 1918, M. Oudendyk, the Netherlands Minister at Petrograd, wrote to the British Minister at Christiania from personal observation of the Communist Revolution in Russia. He said, *inter alia*, "... unless... Bolshevism is nipped in the bud immediately, it is bound to spread in one form or another over the whole world, as it is organised and worked by Jews who have no nationality, and whose one object is to destroy for their own ends the existing order of things."

This communication was passed on to the British Government, who seven months later incorporated it in a White Paper. This, however, was withdrawn almost immediately on publication, and replaced by an abridged version which omitted M. Oudendyk's warning.

The emphasis in the passage quoted is ours. It *must* be realised that so-called Communism is only one adaptation of a policy which is being relentlessly pursued in practically every country in the world. The policy is centralisation, MONOPOLY, leading to One World Government; and it is being "organised and worked by the Jews for their own ends."

The *Social Crediter* draws attention to the importance of questioning the axioms as well as the propositions of the enemy. Now contemporary official economic doctrines are based on axioms many of which are deliberately false, and deliberately destructive. But if they are accepted, and policies are based on them, then *any* Government, no matter how "anti-Communist," will further the Communist—i.e., Judaic—policy. Conversely, a challenge to these axioms will very quickly reveal the human forces whose ends they serve, just as happened in Alberta.

It is "Communism" as concealed in current economic and political axioms which constitutes our great danger; but the real menace lies in the purpose of those who benefit by the destruction they cause. There is nothing for it but a challenge to them and their purpose.

*An editorial by B.W. Monahan in *The Australian Social Crediter*, Feb 11, 1950, reprinted in *T.S.C.* March 11, 1950.

The European Treaty

The following letter to the Editor appeared in *The Times*, London, May 23, 1984:

From Mr Peter Horsfield, QC

Sir, In February of this year the European Parliament approved a "draft treaty establishing the European Union", establishing, that is to say, a unitary supra-national state.

Am I alone in finding it odd, or rather incomprehensible, that in all the welter of advertisements, articles and news items in your paper and elsewhere preparing the public for the European elections on June 14, there appears to be no mention whatever of this draft treaty?

It would be unfortunate if the electors, having voted for their MEPs in June in ignorance of the very existence, let alone the terms, of this draft treaty, were then to be told that their votes constituted a mandate for the signature and ratification of the treaty.

The fact that only four Conservative MEPs voted against the draft treaty, notwithstanding that its terms must be repugnant to the vast majority of their electorate at home, may make it something of an embarrassment to the Government. But that does not justify the present deafening silence.

Yours faithfully,

PETER HORSFIELD

Lincoln's Inn, WC2.

The *Daily Telegraph*, London, May 29, 1984, published the following letter:

From Lady Neill

Sir, On May 26 you reported the fact that the Prime Minister has not yet been shown the draft Treaty establishing European Union adopted by the European Assembly on Feb. 13. Why is this?

The President of the Assembly was then directed to submit it to all the Parliaments and Governments of the member States.

What is stranger still is that no publicity has been given by any party in the Euro-elections to the existence and scope of this Treaty which is to be actively promoted by the newly elected Assembly.

The explanation is no doubt to be found in the fact that the Treaty provides a completely new constitution for a new entity to be called "the Union," which will acquire the territories of the member States and a proportion of their reserves, and which will be able to legislate on virtually any subject one can think of—social, economic, cultural and fiscal.

It will be able to raise its own revenue, establish a single currency and progress towards monetary union. A common legal system will ensure that Union law will take precedence over our law, and our judges must enforce it.

The Queen's subjects would automatically be made citizens of the Union, without being informed of this drastic alteration of status.

No mention of this appeared in the strangely worded advertisements promoting the election.

Before we go any further with this election, the President of the Assembly should explain to all the people of the European Economic Community what is in store for them should they endorse the next Assembly with their votes.

It seems that we in Britain need to be more vigilant if we are to keep our freedom and law in good repair. Before we go to the polls in June, we should be absolutely certain that this election is not an important move towards a totalitarian State.

CAROLINE NEILL

All Souls College,
Oxford.

The Brief for the Prosecution

(Continued from page 3)

For example, fifty years ago, the British Railways were the finest in the world. It would be almost impossible to decide how efficient they were, but if your "preference" was rapid, frequent and comfortable travel, and your "sacrifice" was monetary, you obtained a high degree of "preference" for a small amount of "sacrifice." To say that all their conditions of employment were ideal would be absurd. Yet employment by them was highly coveted.

Nowadays, the British Railways are "rationalised," i.e., approaching an absolute monopoly, and there is scarcely a graduate or professor of the London School of Economics who would not explain to you how much more efficient they are (we are considering, for the moment, pre-war conditions). The fares and rates were nearly double and the railways were agitating for more, the speeds were in the main lower than at the beginning of the century, and the service was less frequent, more congested, and was definitely deteriorating. The restaurant services were expensive and inferior, in contrast to the high standard and low charges of the old companies.

It is not difficult to see that the flat contradiction between the opinion of the man in the street, or the morning train, and that of the London School of Economics is due to a failure to agree on the object for which railways exist, and, more subtly, whether that object can be pursued without incommensurate loss. From the point of view of the traveller, the consumer, policy has been consciously and continuously directed to lower efficiency. From the point of view of the London School of Economics, since monopoly is the objective, the efficiency has gone up in proportion to the centralisation of control and the expropriation of the shareholders. The average railway employee is now more concerned with politics than with railways.

Notice that this call for "efficiency" is pursued in the face of many contradictions and without definition of objectives.

Superficially, the contradictions appear almost naive. It is not twelve years ago since the whole world was ringing with the cry of "over-production," and sabotage and destruction of almost every description was in progress. But it should be remembered that *all the efficiencies sponsored by the London School of Economics and its Fabian-Planning associates aim at restriction of production from the point of view of the consumer*, in precisely the same manner that the grouped railways have restricted production (services) under the stress of propaganda for efficiency.

It may be convenient at this point to clarify an important factor which is often overlooked. The modern world in which we live derives its material character from technological advance in the industrial arts. It derives its social and political character, to an increasing extent from Socialist-Communist propaganda in the State schools and the Universities deriving their funds through endowments from shadowy "benefactors" whose policy is the complement of the Marxian Socialist. Nothing could be further from the truth than to imagine that such advance as has been made in civilised life has any connection with social and political progress. On the contrary the prime objective of Socialism and Cartelism is to batten on the technological advance to which it has contributed nothing, and to prevent this advance from achieving, as unrestricted it would have achieved, the emancipation of the human race from bondage. The more completely centralised in political organisation such countries as Germany and Russia have become, the more obviously technological advance has, firstly failed to benefit the general public, next, shown clear signs of itself coming under the law of diminishing returns, and finally, like a powerful drug misused, has plunged the world into convulsions of war and revolution.

CHAPTER III

THE NEGATIVE VIEW OF HISTORY

A FEW years ago, a reference to "inexorable economic laws" was certain to be well received in the best circles. It had a scientific

sound, combined with a slight suggestion of Puritanism and of the essentially inhospitable structure of the universe. In the higher realms of finance and commerce, it became to some extent displaced by the slightly occult word, "trends," which was felt to be even more scientific, as being a cautious under-statement. Neither of these expressions escapes the risk of ribaldry, nowadays.

But the idea was clear enough. The world is an unpredictable place. Terrible things happen, but no-one is essentially to blame for them. On the whole the mathematics of chance and probability rule us, and, if we appear to be losing on black, our only course is to put our money on red.

On this theory, wars, revolutions, depressions, business amalgamations, rationalisation and nationalisation, taxes and bureaucrats, are natural phenomena as inevitable as the flowers that bloom in the spring. An attitude of reverent agnosticism combined with disciplined acceptance is all we can adopt pending a codification of the "trends," which clearly require data compiled and card indexed over a long period of time.

It seems inseparable from the acceptance of this theory, however, that we school ourselves to agreement with the remark, "*Credo, quia impossibile.*" We must be able to believe that the Decline and Fall of the Roman Empire had no connection with monetary inflation; that Domesday Book did not interest William the Norman's Jewish advisers, or that the expulsion of the Jews and the suppression of the Knights Templars who became primarily bankers, had no bearing on the prosperity of England in the fourteenth, fifteenth and sixteenth centuries. We must be able to believe that the foundation of the Bank of England had no influence on the National Debt; and that the appointment of Mr. Montagu Norman as Life Governor was an accident to which his American connections, and the visit of Lord Reading to Washington in 1917, made no contribution.

Clearly, it is much easier to hold this negative view of history if we are prevented from noticing that similar events frequently have similar causes. If we are told that the fall of Rome was due to immorality or malaria, and that William the Conqueror thought of Domesday Book all by himself, that the Jews who accompanied him were "refugees from Christian intolerance" and that the Bank of England had an "American" Adviser from 1927 to 1931, if not before and after, because it wished to learn the latest methods of banking, our attention will not be so likely to be attracted to the idea that both the economic and political fortunes of mankind may be not so much at the mercy of inexorable natural law, as the outcome of manipulation by small groups of men who know exactly what they are doing.

This distinction is vital. Consider the events of the years between the European phase of the present war, beginning with the Armistice of November, 1918, and the resumption of hostilities in 1939.

The first point to be observed is the crystallisation of policy along lines clearly recognisable as imposed by a determination to adhere to the conventional subservience of a debtor to a creditor, and, with it, "employment" as the backbone of Government. While it is probably not true to say that the United States, in the ordinary acceptance of the term, was determined to use the highly artificial position created by the insistence on the assumption of all financial liability of the "victorious" belligerents by Great Britain, it is certain that German-Jewish bankers in America were fully aware that it was much more important to win the peace than to lose the war, and that this was the weapon with which victory could be achieved.

The War Debt due from Great Britain to the United States was \$4,368,000,000. Since it was stipulated that it was payable in gold it was equivalent to £897,534,246. Without traversing the endless arguments as to whether the, as usual, disproportionate losses in men and material, in a common war, on the part of Great Britain (America's losses in killed and wounded were 322,000; ours nearly

three million) accompanied by fantastic taxation, were not a just ground for claiming that no debt was reasonably due, it is essential to understand that the benefit of the orders placed in America was immense to the Americans. Not one dollar, of course, went to pay for war material produced in Great Britain.

In 1922, Stanley Baldwin, an almost unknown politician, became Chancellor of the Exchequer. Montagu Collet Norman, from being a member of the firm of Brown, Shipley & Company, the London Branch of a powerful American financial group, was appointed Governor of the Bank of England, apparently for life. Previously, it had been customary for the Governor to be elected yearly from the more important merchant bankers of the City. Dr. Walter Stewart for a short while, and subsequently Dr. O. M. W. Sprague, both American banking economists, were installed from Washington, to "advise" him. Their advice coincided, in time, with the greatest depression in history.

The first concern of Mr. Baldwin and Mr. Norman was to visit Washington for the purpose of establishing by agreement the terms which were to govern the service of the colossal debt. This visit was made in January, 1923, and in the party was Sir Otto Ernst Niemeyer. The terms agreed were onerous in the extreme (e.g. eight times as heavy as those imposed on Italy), but in fairness to the Americans it must be stated that they were apparently surprised that they were accepted. The debts owing by other belligerent nations were settled on much easier terms.

Mr. Balfour had previously stated officially that Great Britain would only ask from her allies such financial payments as would meet the demands of her own creditors, i.e., the United States. The result of this was to make the United States the only and very large financial beneficiary of the 1914-1918 phase of the war (see *Hansard*, December 15, 1930) and to leave all the other "victorious" combatants heavy losers. The question of the military loser, Germany, requires separate consideration.

It was stated in many quarters that the large payments which for a time were made to the U.S. Treasury in connection with the arrangements negotiated by Messrs. Baldwin and Norman were of little consequence. This rather confusing statement—confusing, that is, to the ordinary individual whose financial means, and consequent personal comfort, are subject to the more ordinary arithmetic of daily life, emanated from the Central Bankers who no doubt based their statements on the knowledge that they could adjust taxation so that the payments were concealed. In any case, the absolute size of the payments was far from being the main issue, which was the control over British policy. This is not in doubt.

The control was exercised in two ways. In the first place, and for the first time in history, the New York discount rate became, and remained for nine years, one-half per cent. lower than the Bank of England discount rate—the "Bank Rate."

The effect of this was to secure for New York all the foreign financing which had previously been done in the City of London. The fact that the American public was sold large quantities of worthless bonds may have been poetic justice, yet did not conduce to good international relationships.

It is certain, moreover, that a direct political control of a coercive character was applied to British legislation. For the purposes of this preliminary survey it is only necessary to mention two instances, one in the realm of major foreign policy, and the second in domestic legislation.

At the moment, objective consideration of the Japanese is difficult. It would be absurd, however, to deny that the Anglo-Japanese Alliance was a major benefit to Great Britain in the 1914-1918 phase of the War. While Japan took little part in Europe (she did send destroyers to the Mediterranean, by request) she observed the letter of the Treaty scrupulously. The abrogation of it, and the Washington Naval Agreement limiting Japan to a position of naval inferiority, did two profound injuries to the British Empire. It was an unprovoked and rather ungracious blow to Japanese "face"—the most vulnerable aspect of Asiatic diplomacy. And it demonstrated to the whole of Asia, including India, that the important capital to placate

was no longer London, but Washington. Nothing could have made a new war more certain.

In the domestic sphere, the most easily apprehended instance of the general policy is the horse-power tax on motor vehicles. Here again, it is not so much the monetary aspect which is important, although it is quite possible that the restriction of high-powered cars to the very rich had a profoundly disruptive social effect, playing into the hands of the agitator concerned to suggest that the poor are poor because others are not so poor. Its main effect, and its object, was to throw open the British Empire to the high-powered American car and truck, and to deprive the British manufacturer of the experience which only a home market using a type of vehicle suitable elsewhere could provide. The midget car imposed on the British public was only suitable for perfect roads, short distances and careful usage, and its small market supported a high price and large fortunes for selected producers. There is little doubt that it was also intended to kill the development of the British aeroplane engine, and the aeroplane itself, but in those objectives only partial success was achieved.

In May, 1920, a policy of what can only be described as ruthless restriction of credit was inaugurated, both in Great Britain and the United States. No attempt of any description had been made to deal with the uncontrolled rise of prices, particularly of consumer's goods, and everywhere public discontent at genuine inflation, i.e., a temporary increase in money units in the hands of the public, accompanied by an equal or greater rise mainly permanent in prices, reached such proportions as to constitute a "buyers' strike." That this rise of prices was intentional and a form of hidden taxation, is certain.

Heavy taxation, calling in of banker's overdrafts and restriction of trade credits by large industrialists to their smaller trade clients, produced immediate results. Workers were discharged, unemployment rose steeply, reaching three millions in Great Britain, and ten millions in the United States, where the same policy, with, however, much lower taxation, was instituted. In Great Britain, the policy was pursued for a much longer period. Suicides doubled in Scotland and rose 67 per cent. over the rest of the Kingdom during the deflationary period of about nine years. Bankruptcies increased by 700 per cent. (See *The Monopoly of Credit*, graph p. 137.)

In the United States, however, the policy was completely reversed in six months and that country entered upon the greatest wave of industrial activity and material prosperity ever known in history, a wave which continued until October 1929.

One effect of this was to cause a drain of the highest-skilled manpower from this country to America. As an instance, one of the greatest difficulties in the Four Years War was a lack of "tool-makers," a technical term applied to the most skilful mechanics (almost the last to whom the term craftsmen can be applied). It is generally considered that a highly skilful toolmaker requires seven years' training. A large proportion of the toolmakers of this country emigrated during the restriction years, and most of them remained abroad.

It is certain that no nation in recorded history has receded so rapidly from a position of commanding influence in world affairs to one of almost complete impotence, as did Great Britain in the fifteen years which followed the Armistice. Many factors contributed to this result, but financial policy is easily pre-eminent.

In 1925, after six years of steadily decreasing prosperity, disillusionment, and economic and political frustration, Mr. Winston Churchill, (who had become a Conservative on the practical disappearance of the Liberal Party), Chancellor of the Exchequer, restored the Gold Basis of the Sterling Financial system, with modifications to ensure that the ordinary individual could not buy gold in less than the "standard bar," worth about £1,700. (See *The Monopoly of Credit*, Chap. 6.) In effect, he could not buy gold except at the will of the Bank "of England."

In 1926 Sir Alfred Mond, of whom much more hereafter, also forsook the Liberal for the Conservative Party.

Mr. Churchill is probably the finest War Minister in history, and it is quite possible that, if we are to proceed from the assumption that this war was inevitable, the whole course of history has been changed for the better by his tenure of office. But it is evident that there is just as much historic continuity in the Whig love of "Dutch" Finance, and all those associated with it, in Mr. Churchill's peace-time activities, as in the brilliant military mind which might be expected in a descendant of Marlborough.

More than any other one factor, this influence has dominated British policy in the vital Armistice years. Mr. Lloyd George, the protégé of international Jewry, with his avowed intention to do anything to enable the pound sterling "to look the dollar in the face," i.e., to have a gold exchange value of £3. 18s. 3d. per oz.; Mr. Churchill's close association with financial Jews in England and America, and his restoration of the gold exchange standard in 1925 (for which he has since publicly apologised); Mr. Baldwin's ecstatic remark that the Bank Notes and Currency Act of 1928 had for ever prevented currency reformers from interfering with finance, are evidences, of which there are many more, that the tragedy of the wasted twenty years was not due to inability to pursue any policy, which is the common accusation brought against politicians of that era—it was a fixed instruction to pursue a policy, irrespective of consequences, which can be seen to have built up Germany and enfeebled the British Empire.

In these days of coalition Governments, control by "Planners," and other modern improvements, it is difficult to realise that Cavaliers and Roundheads, Whigs and Tories, were exponents of two philosophies. The Whigs were merchants, abstractionists, the dealers in intangibles.

It is not a coincidence that the Whigs, Quakers, and non-conformists, became bankers and collaborators with the Jews, both resident and continental. They were fundamentalists. The "Old Testament" was a record of the sayings and doings of an omnipotent if somewhat irrational Ruler, who spoke Elizabethan English and had a private staircase to Mount Sinai.

Consistency was not to be expected of Him. What we should now call masochism, the glorification of pain, was explained by the idea that discomfort in this life automatically ensured bliss in a future existence. Carried to its logical conclusion, as many of Cromwell's semi-animal barbarians were prepared to carry it, the most certain way to prepare a general Heaven was to create a Hell upon earth.

This philosophy, as we shall see when we consider the case of Germany, runs through Lutherism, Calvinism and other Puritan movements straight into civil war and revolution. Always, it is the attack of the black-coated theorist on the pragmatist, the farmer, the sailor, the pioneer. At the root of it is a denial of personal initiative and judgment, and the substitution of a set of transcendental values incapable of, and indeed almost resenting, any attempt at proof.

Once this conception is grasped, it is easy to see how indispensable it is to the supremacy of the financial system and those who control it. What appear to be failures of policy are really the greatest successes. As Mr. Montagu Norman remarked when mild expostulations on the obvious results of his government were brought to his attention, "I do not think it is good for people to be prosperous." About this date, Mr. Norman's salary was increased by several thousand pounds.

Under the influence of Whig mentality, words become reversed. A man who kills another is a murderer, and if he does it without passion, he is a cold-blooded murderer. But mass murder in cold blood is glorious and is war. Stealing is a crime, but unnecessary taxation is statesmanship.

Many attempts have been made, in a society in which finance is dominant, to show that the Puritan strain in British history is a source of strength. It would be more true to say that it is an important factor in British development since the seventeenth century. How much of that development is tinsel, and how far it has departed from the natural genius of the English, Scottish and Welsh peoples

may perhaps be easier to assess when we see the measure of its permanence.

CHAPTER IV

THE GENERAL STRIKE OF 1926

It will be realised that the re-establishment of the Gold (Exchange) Standard was the culmination of a considered policy of restriction, carried out by the visible Government with, for the most part Mr. Stanley Baldwin as Prime Minister, but obviously inseparable from the covert control of the Bank "of England." An intrinsic feature of it, if not its primary objective, was a reduction in wages and salaries, not perhaps so much in rates as in total earnings. With this, in the nature of things, went a weakening of the bargaining power of organised labour.

It is easy to comment that this attack upon "Labour" was scandalous and indefensible, and if a sufficiently comprehensive view of the whole social and economic system be taken, this is true. But it must be remembered that the Labour Movement was not so much, as it once had been, a wage negotiating body; it had become under international influence a revolutionary political organisation openly claiming the right and the intention to substitute Marxian Socialism for what, without understanding the term, it designated as "Capitalism." The ordinary employer, by which is meant the small and medium sized industrialist of the older type rather than the directors of "public" or international companies or cartels, was forced, in many cases against his desire, into a position of antagonism to his employees because it became obvious that industry was being transformed into a battleground of politics, in which he was being attacked without scruple, not only by the Trades Unions, but by the financial cartels, both aiming at monopoly.

Neither the individual workman, nor his employer, had the time or opportunity to realise that they were equally catspaws of a common enemy, and that their legitimate grievances were being used to stampede them into a common ruin.

It is necessary to appreciate this situation before the background of the next phase and its bearing on the underlying policy can be seen to be coherent. The General Strike of May 3-12, 1926, ostensibly developed from a failure to adjust the situation arising from the termination of the subsidy, which amounted to about £24,000,000, paid to the coal industry—a subsidy which had been granted under perhaps the most inept handling (as it appeared) in the records of Government. After having stated that under no circumstances would it be paid, the Government suddenly reversed its decision, agreed, under the most nebulous stipulations, to pay a subsidy, and simultaneously proceeded with open preparation against a general strike, which could be provoked at any moment by withdrawing the subsidy.

In 1920 a Royal Commission under the Chairmanship of Mr. Justice Sankey, a Socialist, had investigated the conditions obtaining in the Coal Industry, and certain witnesses had recommended the nationalisation of coal. It was commonly stated that the pressure towards this object, together with that for the nationalisation of railways, proceeded from international loanmongers who wished to have tangible assets, rather than mere taxing power, behind the large amounts of British Debt which they held. At that time, the proposal was not implemented, partly, no doubt, by reason of the extremely discordant nature of the several minority reports which accompanied its findings.

On March 10, 1926, the Coal Commission under the Chairmanship of Sir Herbert Samuel, issued its report recommending *inter alia* that the State should buy the coal from the mineral owners compulsorily, on very advantageous terms, paying for it in paper money, and that the miners should accept a reduction in wages. The Chairmanship of this Commission, and its recommendations (particularly its emphasis on the principle of property in coal) should be borne in mind in connection with the Mond-Turner negotiations to which reference will later be made, the amalgamation of Brunner, Mond and other chemical concerns into Imperial Chemical Indus-

tries, the Chairmanship of the Fuel Research Board (Governmental) by the Chief Chemist of Imperial Chemical Industries, the acquisition of the coal from the mineral owners under the Coal Act of 1938 which took place in July 1942, and the general drift towards the adoption of a Cartel-Trades Union "Democracy," in which the ordinary individual, and even his House of Commons, become an unimportant factor awaiting absorption or elimination. The Miners' Federation rejected all that part of the Report which affected them, but supported, without understanding, the "nationalisation" of coal.

The details of the negotiations for a settlement of the coal dispute, which were without effective result, are outside the scope of this survey. They are available in the *Annual Register 1926*, *The General Strike* by Sir John (now Viscount) Simon, the pages of *Nature* for 1926, and elsewhere. It is almost certain that in fact neither side wished for agreement—the Miners' Federation, which was infested by alien influences, was deluded into believing that a general strike would bring the country to its knees; the shadowy influence behind the Mining Association (the Colliery owners, perhaps as stupid a body of men as industry could show) knew quite well that a general strike was certain to fail unless it developed into armed civil war, and that the way would be opened to further centralisation. In spite of the fact that both sides made a great display of legality, the only fact which was ever in dispute was the extent to which, in the last resort, the armed forces of the Crown could be employed to defeat the strikers.

A Royal Proclamation declaring a State of Emergency as contemplated in the Emergency Powers Act of 1920 was issued on May 1, and on May 3 the General Strike came into effect. Official negotiations between the Government and the General Council of the Trades Union Congress, who were directing the strike, were completely abortive.

Sir Herbert Samuel was apparently in Italy during the negotiations which preceded the Strike, but on its declaration at once returned to England and began "unofficial" negotiations for a settlement—on the face of it, with no special qualifications for intervention.

On May 11, Sir Herbert Samuel laid before the T.U. Council the draft of a Memorandum the adoption of which would, he thought, promote a settlement of the coal dispute. It contained nothing which was not expressed or implied in the Coal Commission Report, other than minor adjustments in timing. The Council laid the Memorandum before the Miners' Executive the same day, with a statement that in their opinion it contained "the best terms which could be obtained to settle the present crisis in the coal industry."

The Miners' Executive quite naturally rejected the proposals, as representing no advance on a situation they had previously refused to accept. Nevertheless, the T.U. Council wrote Sir Herbert Samuel that in their opinion, the Memorandum offered a basis on which negotiations might be renewed, and in consequence, they were taking the necessary measures to end the General Strike. A deputation called on the Prime Minister to inform him to that effect, and on May 12, the Strike was called off. The miners were, of course, furious and continued their own strike, with a good deal of support from the railway unions.

The General Strike was broken. Sporadic and sectional strikes continued for some time, but the sectional Trades Unions emerged impoverished and humiliated, and nervous of their ability to maintain their privileges. Two facts stand out clearly in retrospect. The General Council of the Trades Union Congress seized, or were handed, the initiative and control of the whole of the militant trades union movement, and centralised it. And the Coal Commission Report was embedded in the settlement (despite the fact that no party to the dispute accepted it) in such a manner that it might be contended that the Government was committed to the implementation of it. The ground was prepared for the next steps—the founding of Imperial Chemical Industries, whose major raw material is coal, and the Mond-Turner negotiations between Sir Alfred Moritz Mond who had become a Conservative in 1926, afterwards the first

Lord Melchett, and Benjamin Turner, afterwards Sir Ben Turner, C.B.E.

Benjamin Turner was by trade a weaver; he was Chairman of the Labour Party in 1911, a critical year, Chairman of the Trades Union Congress, 1928, Chairman of the Trades Union Congress General Council (the body which had negotiated with Sir Herbert, now Viscount Samuel, in 1926) and a Labour M.P. He was given an O.B.E. in 1930, and created a knight in 1931. Since his conference with Mond, the T.U.C. has never authorised a strike.

In order to trace the thread of long-term policy in the events we are discussing, it is necessary to give to the career of Alfred Moritz Mond somewhat more extended consideration.

In passing, it may be observed that steady and continuous propaganda in Labour circles had been devoted to an attack on the private ownership of coal. Most individual miners, besides being convinced that "the coal belongs to the people," were under the impression that the owners' royalty decreased the miners' wages, and greatly increased the cost of coal to the consumer. There is no justification for any one of these ideas.

There is in existence a Scottish charter, dated A.D. 1202, in which the superior grants the lease of certain collieries in Newbattle, and the right of the landowner to dispose freely of his coal has never since been questioned, and was set out by Sir John Pettus in his *Fodinae Regales*, published in 1670. It should be particularly noticed that *property in coal has not been abrogated by the Coal Act of 1938. It has been acquired intact by force majeure* accompanied by a derisory compensation, and can be transferred to another owner either by lease or outright sale. Private owners of coal were heavily taxed. Coal now pays no taxes.

The actual royalty received *nett* by the private royalty owner rarely exceeded 3d. per ton, and was often less, as owing to the political weakness of the owners, forms of taxation which would never have been tolerated otherwise were imposed on the gross royalty. Since the acquisition by the State, the price of coal has risen by more than twelve times the old royalty.

(To be continued)

Enough to Pay the National Debt

"It is said that General Clive's father has been with Mr. Pitt, to notify, that if the Government will send him four hundred thousand pounds, and a certain number of ships, the *heaven-born* general knows of a part of India, where such treasures are buried, that he will engage to send over enough to pay the National Debt. "Oh!" said the minister, "that is too much; fifty millions would be sufficient." Clive insisted on the hundred millions, — Pitt, that half would do as well. "Lord, Sir!" said the old man, "consider, if your administration lasts, the National Debt will soon be two hundred millions."

—From a letter written by Horace Walpole to Sir Horace Mann, from Strawberry Hill, May 7, 1760.

(Quoted from *Horace Walpole's England* as his letters picture it

—Edited by Alfred Bishop Mason, London

—Constable & Co. Ltd., 1930)

The Fall of a Sparrow

"There's special providence in the fall of a sparrow. If it be now, 'tis not to come; if it be not to come, it will be now; if it be not now, yet it will come: the readiness is all. Let be." (*Hamlet*, V.2.)