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FOR POLITICAL AND ECONOMIC REALISM

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THE NEGATIVE VIEW OF HISTORY

(Chapter III of *The Brief for the Prosecution* by C. H. Douglas—1942).

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 bank-

ing, 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 a 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 acceptation 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 and 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 Washing-

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ton, 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 "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.

Heavy taxation, calling in of bankers' 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 craftsman can be applied). It is generally considered that a highly skilful tool-maker requires seven years' training. A large proportion of the tool-makers 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 *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 peacetime activities, as in the brilliant military mind which might be expected in a descendant of Marlborough.

More than any 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 forever 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.

Treaty of Rome

With the kind permission of the Constitutional Society, 309 Dingwall Building, Queen Street, Auckland, New Zealand, we print the following analysis of the legal and constitutional implications of the Treaty of Rome if the United Kingdom decides to enter the European Economic Community, presented to the General Committee of the Society at its meeting in Wellington on December 7th, 1962, by Mr. A. C. Brassington, of Christchurch. Mr. Brassington is a former lecturer in international law and political science at Canterbury University. His analysis is based on a study of the first authentic translation into English of the Treaty and confirms the views of eminent authorities on international law in other reliable publications:—

The European Community has developed from the pooling of French and German coal and steel production under a treaty signed by six states in Paris in 1951, which set up what is known as E.C.S.C. or the European Coal and Steel Community. In 1957, in Rome, the same six states by a treaty set up E.E.C., the European Economic Community, and Euratom, the European Atomic Energy Community. There are thus three communities which are linked together through a single General Assembly and a single High Court. The process has involved a planned merger of national sovereignty to achieve the creation of economic power.

The instrument which has brought the present European Community into being, and which governs it, is what we now call the Rome Treaty. The Constitutional Society of New Zealand has a duty to inform its members and the public generally of the constitutional and legal effects upon Great

Britain if she becomes a signatory to the Rome Treaty thereby undertaking its duties and obligations and submitting herself to perpetual economic union with the six present members.

The European Community is partly designed to counteract the economic power on the one hand of the Soviets and on the other of the United States of America, by creating economic unity in Europe. This unity involves the surrender of national sovereignty and of political and legal rights and duties within each member state in the interests of the trade and commerce of the Community.

Membership of the European Community is not revokable by a member. Once a State joins it submits itself to a process of integration and sheds a part of its sovereignty. As the European Community integrates, its functions increase so as to take in more economic and political activities, while at the same time the sovereignty of each member State decreases.

The question for Great Britain seems to be whether to attempt to join the Six and endeavour then from within the Seven to achieve leadership or at least fair and reasonable equality, or whether to seek other methods to secure her economic and political survival.

The price of entering the Community is the partial surrender of sovereignty, the subordination of English law to a new and unspecified legal system, yet to be evolved, and the inability to withdraw from the Treaty which is designed to create a permanent union.

How can the laws of England be altered by the Community? The Council and the Commission of the Common Market are empowered by the Treaty to issue regulations "binding in every respect and directly applicable to each Member State." Such regulations may be passed merely by a majority. A regulation could become part of the law of England even although objectionable to the British Government. Such regulations so enacted by the executive bodies of the Common Market will not be subject to control of Parliament as they need not be first submitted to Parliament for scrutiny and approval before enactment.

The branches of English law which would be affected immediately upon Britain's entry would be labour laws and social legislation, taxation laws, and laws relating to patents, companies trade marks and restrictive trade practices. A new European type of company, and a new type of patent will emerge. It is safe to predict that what is known as big business will receive adequate protection as against the rights of workers and consumers.

The Court of Justice of the Community is to apply Continental legal ideas which differ widely from English legal concepts. It is to decide all matters relating to the Treaty and its interpretation, also disputes between member States or between them and the Commission and also between individuals and the Community executive, or its employees and the executive.

The judgment of the Court is to be given by one judge; a single judgment is given and no dissenting opinions are permitted. Although in this way the court resembles the Privy

Council, it differs vitally in that the rules of precedent are not to apply. Thus the Court can disregard its earlier judgments. It administers what English lawyers contemptuously call palm-tree justice. Yet the decisions of this Court are to be binding on the national courts of each member State. The English House of Lords would be superseded in all matters of interpretation of Community Law.

The common law of England would be set aside in ever increasing measure. This effect would be undoubted, whether one regards the Community as a forward move, or a move backwards. And the setting aside could be by foreign judges, a dissenting minority of English judges being not able to express their dissent, but being compelled by their office to acquiesce silently. This also in a court which is not bound to follow its own decisions. The great constitutional struggles in England for the rule of law would become nugatory before a faceless decision from under a palm tree. No supporter of the Common Market can deny this. Their answer is that the common law of England would be improved and revived by the injection of the civil law concepts of other States, and that harmony between differing legal systems would thereby be achieved. The rejoinder of the English lawyers should be that the Common Law is not to be altered by foreigners who do not understand it, or who merely dislike it, or who think that they can improve it. We must maintain that the laws of England are the priceless inheritance of the Sovereign and the people of Britain and of the Sovereign and her peoples in the Commonwealth. We must maintain that this priceless inheritance shall never be interfered with except by the tried processes of Parliamentary enactment and that judicial justice shall be done openly and according to established precedent. We must not sell our legal birthright for a mess of Continental pottage. If English law is to take a new direction, it ought not to be directed from the Continent of Europe, where so many legal codes and concepts have failed to preserve the liberties of their peoples, so often, and for so long.

The Court has no power to enforce its decisions against a defaulting member State. If a member State refused to implement a decision of the Court, it would by so doing repudiate its solemn covenant under the Treaty. It would be an act of secession, a unilateral act, which could be dealt with only on a political basis. It would be in effect a lawless, revolutionary action on the part of the defaulting State. The Treaty is silent as to sanctions against such action. But once a State is well within the Common Market and has become dependent economically upon the other member States it would in fact be powerless to withdraw.

THE UNSEEING EYE

Oration delivered at the London School of Economics on Friday, 6th December, 1957, by

Sir Hugh Casson, R.D.I., M.A., F.R.I.B.A.

"... if we can borrow from the Social Credit enthusiasts their slogan—'Full enjoyment rather than full employment'—as an objective, then we might create between us a civilisation based upon freewill in which all men are artists and there will be no need, thank goodness, to talk about it." (Concluding sentence).

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