

# THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

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## MONEY — IN THE LIGHT OF HISTORY

Unmatched among contemporary British historians in his combination of historical scholarship and literary quality, Sir Arthur Bryant was already over 80 years of age when he set out to publish a three-volume *History of Britain and the British People*. The *London Times* called the first volume, *Set in a Silver Sea* (Collins), "A triumph in the manner of Gibbon or Macaulay". The second volume, *Freedom's Own Island*, just published, is at least its equal. The third volume is to come. Bryant himself died at the age of 86 in February 1985.

The publication of his second volume may provide a suitable occasion to observe that Bryant was not merely a historian, but an Englishman who had reflected deeply on whatever lessons history might teach to enlighten the economic darkness into which Britain had fallen. One example was a column contributed to the *Illustrated London News* some three years ago, in which he referred to a boyhood memory in the early years of the century.

### No inflation

There was no inflation and there had been none for many years. In terms of goods, the English pound then still bought what it had bought in his grandfather's era. By 1983, however, it was all changed: "Everything today buys only one tenth or less of what it could buy 25 years ago. At no time," he added, "has there been such a rapid and socially disturbing fall in the value and buying power of money. . . . It is, in fact, the most inflationary — and therefore dishonest — money ever issued in our history, even more than that caused by Henry VIII's debasement of the coinage through clipping it."

He sought a cause-and-effect relationship in the rapid growth of the national debt and the consequent volume of interest.

The British national debt itself had stood at some £7 billion in 1914. By 1962, it had grown to over £28 billion; by 1980, to £91 billion. Within the single year, 1980-1981, it grew from £91 billion to approximately £113 billion.

Annual interest on the debt of Britain's central government had risen from £750 million in 1955 to the staggering total of £8,600 million in 1980, which was more than the annual amount spent on either defence, public health or education.

This, wrote Bryant, was a monumental "absurdity". Behind it, he said there was a "sole cause" — "the creation of money, as distinct from real wealth, by [the] State borrowing at interest, which has subsequently to be paid by taxes on the producers of real wealth, who are forced as a result to recoup it by ever higher prices".

The correct answer to this otherwise arithmetically and politically insoluble problem was for government to exercise its inherent historical right to create whatever money is necessary, without the obligation to pay interest and to discontinue the system of borrowing money at interest, with

consequent cumulative taxation and rising prices.

This, he added, would require a public body removed and divorced from political pressure — presumably like the Courts (although in Australia that analogy is now almost as tarnished as any other) — staffed by expert Treasury officials, invested by Parliament with the duty of creating, free of interest, as much money for necessary government purposes as the country at any given time should ensure the maximum possible employment of its productive resources.

### Irresponsible

Against those who recalled and feared the irresponsible resort to printing paper money which was the mark of the German hyper-inflation of 1922-3, Bryant posed the following question: "Why should it be considered more inflationary to issue a carefully calculated amount of money with no interest-bearing debt attached to it, than to print an unlimited amount of money charged with heavy interest-rates payable in future taxation, forcing the manufacturer and public services to keep raising their prices?"

The disinterestedness or even competence of the Public Service need not be over-estimated. That the whiz-kids, the high-fliers and the speculators who have assumed control of international currencies today, and who have apparently destroyed any possibility of control by elected governments, are likely to be better trustees of the national interest, is even less likely.

It is, of course, easy to dismiss all such suggestions as those of currency cranks. However, Bryant was no crank, but an outstanding historian whom history had taught how ephemeral all political — and financial — systems really are.

I do not pretend to judge whether his proposal is ultimately well-founded. Bryant's question, however, remains valid. There is no reason why international financiers managing money for profit are likely to be more successful in protecting the community interests than the other group — equally but certainly no more fallible — which manages it without interest.

The total volume of Australia's overseas and internal debt, including personal debt, can no longer be sustained. Nor can 20% to 25% rates of interest, without courting a major financial explosion of the type which is even now destroying the American banking system, together with the farmers, the small businessmen and the home-builders of countries like Australia, as well as the U.S.

One of Japan's leading economists, is Kenkiro Hayashi, who is Director of Economic Research at the Nomura Research Institute. He can be as mistaken as any of the Australian economists have frequently proved to be. However, there is a good deal of supporting evidence for his recently-published proposition: "The economic power of the United States is dwindling, and the U.S.-dominated international economic order is on the verge of collapse."

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## CONSUMER DEBT

Whether or not at the next General Election the Government is returned to Office (and that now is no better than doubtful) the Conservative Party and the Prime Minister in particular will be held responsible by the electorate for the economic and social consequences of policies revealed in the question "Where is the money to come from?"

Lack of money, not lack of resources, creates most of our problems:

- in Education
- in the National Health Services — Hospitals etc.
- in Social Conditions, housing etc.
- in the Defence field.

Meanwhile we are moving relentlessly towards centralisation of power as the alleged price that must be paid for a resolution of these problems. The present banking and financial system brings money into existence only as a debt and by it, seeks to control policies for which the Government will suffer all the odium and unpopularity. The National and Consumer Debt are both at an all time high and will go on increasing under any government as long as this system of credit creation is considered sacrosanct.

Distribution and NOT Production is the key and money is the mechanism of Distribution. The banking monopoly of credit creation must be brought to an end if freedom is to be gained and preserved.

Prof. Soddy in the 1930s stated this in these terms: "The Banking System is, in fact, nothing but a gigantic vested interest in the actual issue of new money by methods which still evade the law, and ruin first creditors and then debtors. By the ordinary canons of commercial morality, there is not a shred of difference between creating money to lend to others and creating it to spend oneself." At this same time, the Banks themselves were stating "The ten-to-one ratio between deposits and cash reserves which English banks have come to regard as a standard practice . . . is so well recognised that it might easily be thought to have the force of law. In fact, there is no statutory requirement whatsoever

on the subject of cash reserves." So who was controlling the money supply? But Mr Montague Norman gave us this piece of comfort: "I assure Ministers that if they will make known to us through the appropriate channels what it is they wish to do in the furtherance of their policies, they will at all times find us willing with goodwill and loyalty to do what they direct, as though we were under legal compulsion."

We want good education for all our children, good health services and hospitals, and generally good social conditions for everyone, all of which are obviously possible in this age. Yet Jarrow marches repeat themselves. Instead, the Government should tell the Bankers to provide the necessary money, free of debt, non-repayable, and without causing inflation. The penalty for default should be severe. A National Dividend would replace the necessity of "work to live" and a National Discount would remove fears of inflation. Consumer Debt would be no more.

## PUBLIC AND PRIVATE DEBT IN THE UNITED KINGDOM

**The National Debt** has grown from £40,422 millions in 1974 to £150,592 millions in 1984. Over the same period, the annual interest and management charges on the National Debt have risen from £2,858 millions in 1974/5 to £12,916 millions in 1984/5.

**The Public Sector Borrowing Requirement**, the amount the Government needs each year over and above its receipts from taxation, etc., increased from £7,970 millions in 1974/5 to £10,255 millions in 1984/5.

**The Money Supply** (as measured by M3, the most generally accepted measure) expanded from £37,042 millions in 1974 to £133,584 millions in 1984. In 1984, U.K. residents were in debt to the banks for £148,622 millions and by a further £14,125 millions to finance houses granting consumer credit. (Source: Annual Abstract of Statistics 1986, published by Central Statistical Office.)

The question demanding an answer from all M.P.s and Ministers is: "Why should the Government have to borrow? Since this Government came to power in 1979, the National Debt has doubled from £77 billion then to £155 billion now and the annual interest charges have jumped from £6.5 billion to £13 billion. That is more than 10% of the annual budget. Where does all this borrowed money come from? Mostly from the banks who, in effect, print it. So money supply (M3) has also jumped from £62 billion in 1979 to £134 billion now *and is quite out of government control.*

"Why should the elected government be beholden to private money lenders who create what they lend out of nothing on the strength of the nation's own real resources? So long as there are large reserves of idle manpower and industrial capacity available, as there are now, to create the real goods and services to back the creation of credit, 'Government money' should be issued debt-free and interest-free by the Government's 'own' bank, the Bank of England. The Government could then stop borrowing and have the means to implement policies both socially necessary and electorally popular, especially lower taxation and lower prices. If it started by cutting V.A.T. substantially, it would immediately lower prices and reverse the present trends to renewed inflation and runaway money supply.

"Your own future as an M.P. may depend on your taking the right action now." We should require an answer from our M.Ps.

## FROM DAY TO DAY

“We are working discreetly, but with all our might, to undermine the sovereignty of our respective nations.” Arnold Toynbee, 1931.

“The only effective force by which any objective can be attained is in the last analysis the human will, and if an organisation . . . can keep the will of its component members focused on the objective to be attained, the collective power available is clearly greater than can be attained by any other form of association.” C. H. Douglas.

From a letter from the Chairman of The Citizens' Forum:

“In February 1984, members of the European Assembly voted for a Draft Treaty establishing European Union. Its terms (drafted by an Italian communist) bear a striking resemblance to the 1977 Constitution of the U.S.S.R. There was no place in it for either the Monarchy or Christianity.

“In this connection, a statement by one of the witnesses to the House of Lords Select Committee on the European Communities is illuminating. It is contained in the 18th Report of the 1985-6 session ‘Nuclear Power in Europe’. ‘All my attempts to discover even a list of all the laws in the energy field we are meant to obey have thus been unsuccessful’ (p. 454). If the Commission feel it essential that people should not know what the laws are, presumably because they would reject them, how can we possibly be sure that they are in the national interest?”

“Lord Denning made a similar point in the debate on the Dockland Services Bill (Lords' *Hansard*, 10th July 1986). ‘On a matter of such importance to so many thousands of workers,’ he said, ‘I should have thought this was a piece of primary legislation which should appear on the face of the Bill. But who do we find? Your Lordships will find that there is nothing compelling the transfer of those men except in this obscure clause which states that the Transfer of Undertakings (Protection of Employment) Regulations 1981 shall apply to the transfer of the dockland undertaking. What does that tell anyone in this House or the other place? It is legislation, if you please, by reference.

‘Have any of your Lordships looked at these 1981 Regulations? I fancy that I am the only member of your Lordships' House who has. How did I get them? I went to the Printed Paper Office. They had to dig down in the vaults to get the regulations and when I got them I saw that they were to implement a directive of the European Council. So I asked for that. It took a long time to find because it was further down in the vaults. I then had to read the directive and try to make some sense of this delegated legislation.

‘Time after time judges and commentators have criticised this method of legislation by reference. They have also criticised even more the delegation of legislation by means of regulations made by a Minister. It is all very well for Ministers to make regulations on subsidiary matters which never come before this House for discussion, but it is another matter to make a piece of primary legislation by regulations of this kind. . . .’

“One wonders if any of the people who have already voted for this Bill have studied all the relevant documents. People who have taken the trouble to study them, and their implications, are of the opinion that the Bill could enable the E.E.C. and Ministers making full use of Statutory Instruments to take us eventually into a fully-integrated European Union without even having Parliament debate the subject.

“All this deviousness most strongly suggests that there is something to hide. It is not a course that a truthful person or persons would follow, and not what one would expect from the government of a Christian nation, and yet the pursuit of a European Union has been the covert objective of all the political parties at present represented in Parliament.”

The above is recorded in appreciation of Lord Denning's remarkable example.

### Legislation by Stealth

On 8th October, the House of Lords threw out by 176 votes to 52 Lord Denning's amendments to the European Communities (Amendment) Bill, a Bill to bring into effect the Single European Act signed by the Government last February. So we are no longer free in the sense in which we were free until that moment, and the “beauty” of that is that it in no way appears and is hardly known of. Our national sovereignty has no being in the E.E.C.

On 7th October, in a letter to the *Daily Telegraph*, Lady Neill said the (Single European) “Act seeks to legalise ‘the practices gradually established among the Member States’; this phrase is undefined, and the public remains in total ignorance as to what these practices are. . . . How can any self-respecting legislature pass a law which is so deliberately obscure? . . .

“One of the Agreements listed is the Report on European Political Co-operation 1981 (Cmnd. 8424). The EEC Foreign Ministers agreed, amongst other things, to so-called ‘Gymnich Type’ meetings at ministerial level, in which there is no formal agenda, consultations are confidential, the Presidency summarises what has been agreed, and the Press is only to be briefed on subjects authorised by the Ten.

“The Commission White Paper carries a host of measures, to be completed by 1992, some of which, under the heading: ‘Control of Individuals’, provide the Commission with all the apparatus of an efficient police state.

“. . . Virtually nothing is known about this little slip of a Bill called the European Communities (Amendment) Act. . . . If it is really so important for our welfare, why is not the good news proclaimed? Why the speed and stealth?”

On 8th October, Peter Simple of the *Daily Telegraph* referring to the forthcoming debate said: “It is much more important for this country than anything which is likely to happen at Reykjavik or even Bournemouth. Lord Denning, the former Master of the Rolls, has tabled a number of amendments to the Bill designed to ensure that the sovereignty of the Queen and the sovereignty of Parliament are not diminished and, later on, furtively abolished altogether.

“As it stands, he says, the purpose of the Single European Act is ‘to transform Europe’ — not the real Europe, that is, but the variegated territories of the E.E.C. — ‘into a single nation with its own Parliament and its own legislation making its own law, called Community Law’. This means that Parliament would no longer be the sovereign law-making body of the United Kingdom but a subordinate of other states.”

On 9th October, the *Times*, under the heading “Denning crushed on sovereignty”, reported: “Lord Denning . . . in moving his amendments, including one to prohibit European Courts sitting in the U.K. and accord British subjects the overriding protection of English law, argued that the Bill was needed because of the vast workload of the

European Court which was threatening to overwhelm it. . . . The question I seek to raise (he said) is, are the subjects of Her Majesty the Queen to be compelled for their rights and defences to go over to courts manned by European judges operating procedures quite unknown to us?

“The Queen was, by the British constitution, the source and fountain of justice. Judges and peers swore an oath of allegiance to her. In return for that allegiance, the Queen had a duty to protect her subjects. It was for that reason the courts were set up to decide disputes. Are we to say today that British subjects are to go, not to courts in England, but to attached Courts of Justice in Luxembourg, where the procedure and process has already been condemned by the Court of Appeal in England?”

“Lord Gladwyn (L) said the amendments were designed to tear the guts out of the recently concluded Single European Act. That was their intention.

“Lord Denning said he was not seeking to wreck the E.E.C. or European law. All he was saying was that when there was a dispute, let it be decided by English courts.”

### MEANS OR ENDS?

To understand what I believe to be the only effective strategy to be pursued, we have, first of all, to recognise that though we do, beyond question, possess the rough machinery of political democracy, we do not use it. It is not democracy of any conceivable kind to hold an election at regular or irregular intervals for the purpose of deciding by ballot whether you will be shot or boiled in oil. It is not democracy of any conceivable kind to hold an election upon any subject requiring *technical* information and education.

Nothing could be more fantastic, for instance, than to hold an election on, say, whether aeroplanes or airships would be better for the purpose of defence, or for any other purpose. Yet the information which is required to give an intelligent opinion on the use of tariffs or monetary policy is at least of as high an order and is, in fact, in the possession of far fewer people than the thorough knowledge of aerodynamics necessary for an election on aeroplanes versus airships. So that the first requisite of a political democracy is that its operation shall be confined to objectives, not to methods.

For instance, it is a perfectly legitimate subject for the exercise of political democracy to decide by democratic methods a policy of war or no war, but it is not a subject for democracy to say *how* war should be avoided, or the *means* by which it should be waged. It is, however, a fit subject for democracy to remove responsible persons who fail to carry out its policy, and the responsibility for that action is on the democracy concerned. It will be seen, therefore, that the question of practicability is an essential part of a genuine democracy; that is to say, democracy should not demand something that cannot be done, and should be prepared to accept the consequences of what is done, and to assess responsibility for those consequences. Undesired consequences may result from bad technical advice and management, or they may on the other hand be inherent in the policy pursued.

In other words, a genuine political democracy must essentially be a device based upon trial and error. A political democracy which will never try something which has not been tried before is useless, because things which have been tried before can be reduced to the routine of administration,

and administration is not susceptible to the democratic principle, in which it is wholly out of place.

— From “The Tragedy of Human Effort”  
by C. H. Douglas, 1936.

### PERU'S BRAVE EXAMPLE

“Encouraging news, a rare commodity these days, comes from some strange places and when least expected — this time from a poor little country on the north-eastern side of the South American subcontinent, Peru.

“Peru has acquired a ruler, one Alan Garcia, who shows all the signs of being fully informed about the meaning of debt as a weapon of aggression and conquest in the modern world. Reports *The Spotlight*\*, the Washington D.C. weekly: ‘Garcia, in a move that has proved popular with his poverty-stricken countrymen, has launched an offensive against what he calls the hegemony of international financial capitalism’. The prime target of Peru’s offensive is the International Monetary Fund (I.M.F.), which Garcia describes as an agent of ‘modern imperialism’. Garcia, now entering his second year of office, has made good on his pledge to restrict payments on Peru’s \$14 billion foreign debt to 10 per cent of exports, and placed a moratorium on repayment of private foreign debts of two years ‘duration’.

“The I.M.F. retaliated by declaring Peru ineligible for further loans, to which the Garcia government has responded with a call for a ‘national mobilisation of economic resources’.

“Whatever the result of the ensuing struggle, a tiny Latin American country has set the world a brave example. Have we forgotten that the Rhodesian economy was never sounder than after all access to foreign loans had been cut off?”

\* *The Spotlight*, 300 Independence Avenue S.E., Washington D.C. 20003, U.S.A. (from Ivor Benson’s *Behind the News*, October 1986).

### THE NEW AND THE OLD ECONOMICS

“Although the general conception of Einstein’s theory of relativity is now orthodox, there are still large numbers of people — even ‘well’ — educated people — who cannot grasp that theory. It has proved, however, fundamental in dealing with problems of nuclear physics and space exploration, and thus must be seen as so far vindicated by experience. Similarly, the flow conception of the economic process, fundamental to Social Credit theory, remains elusive to large numbers of people, but it is still stigmatised officially not only as unorthodox, but as incorrect. Yet its correctness is vindicated by the development of the present universal economic crisis, long predicted by Douglas, as was also the catastrophic political crisis — largely and deliberately economic in origin, though catalysed by subversion and corruption — which now engulfs us.”

— From Publisher’s Preface to booklet, 1974.

(continued from page 1)

In other words, while some interests in the community are making incalculable fortunes representing “economic rationality” for themselves but not necessarily for the community, the situation isn’t going to last. Perhaps a fitting tribute to the second volume of Sir Arthur Bryant’s history would be to give full consideration to his financial analysis.

— Reprinted from *News Weekly* (Australia),  
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