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The Mechanics of "Stagflation"

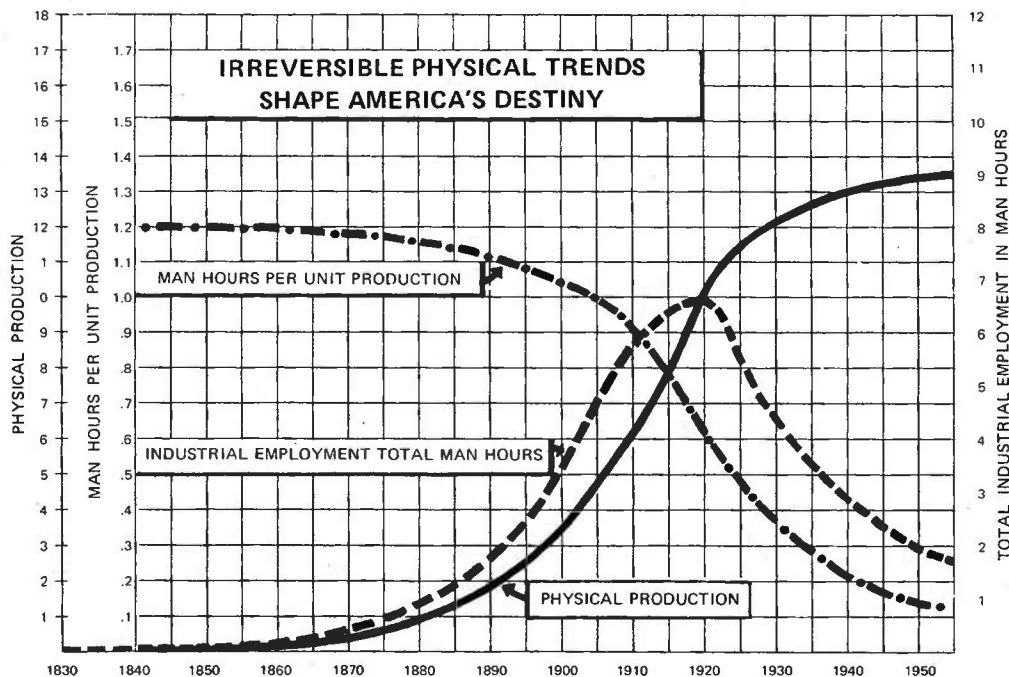
The accompanying Chart was published in the July-August issue of the Canadian Social Credit Party's journal *Regards*, which attributed it to the Technocracy Group in the U.S.A. The vertical co-ordinates evidently indicate ratios, not absolute magnitudes. Thus physical production in the seventy-one years from 1880 to 1951 increased by a multiple of 13.5, or about 1250 per cent. In the same period man-hours per unit of production decreased by about 85 per cent. The scale of the Graph makes exact determinations impossible, but the magnitudes are sufficiently revealing.

Real, as opposed to theoretical, or professional, economics depends on physical realities. Theoretical economics is based on a number of assumptions, in the main derived from the observed operation of the financial system. Two of these assumptions are fundamental to this supposed science, factionalised though it be - (1) that the purpose of the industrial system is to provide employment, and (2) that the general level of prices depends on the quantity of money in existence.

With regard to (1), it is obvious that the introduction of non-human energy - hydraulic power, fossil and atomic fuels - multiplies the effectiveness of man-power, on which until about 200 years ago production of goods and services was almost

entirely dependent, but which still sustained whole populations, just as animal-power sustained the rest of the animal world, and in the main still does. The progressive and continuing application of non-human energy to the processes of production "saves labour", and eventually creates unemployment - perhaps a better term would be "disemployment": the charwoman is displaced by the washing-machine. In the limit, with the extension of automation and computer control, human labour would be almost eliminated - a limit which is being approximated, but probably will never be reached - i.e. the falling curve of industrial man-hours will flatten out to a very small proportion of available man-hours. In the 71 years referred to, human productivity per unit production (according to the Chart) has increased by about 1100 per cent - that is to say, in effect an eight-hour day has been reduced to about half an hour. In contemporary terms, industry is becoming ever less "labour-intensive".

This situation is, or has been, largely obscured by the great increase in non-productive, and often counter-productive, 'employment' - so-called "white collar" employment - including a massive expansion of bureaucracy, both governmental and business. Such 'employment' of course dilutes the value of



This Chart shows the greatest revolution of all time: The replacement of human work by technology, permitting production to rise while man-hours of employment decreased. These are the factors which are determining North America's history: they are creating North America's destiny.

incomes derived from productive employment, and hence is inflationary because it reduces the purchasing-power of 'producers' in order to sustain 'non-producers'.

In countries which in basic necessities — food, fabrics, and the materials for home-building, and sources of energy — are self-sufficient or have an actual surplus, it is completely absurd that any proportion of the population should be near or below the poverty level. In a society where ethical, moral and sexual standards are becoming progressively more permissive, where criminals are being accorded growing leniency — unless they are financial transgressors — it is fantastic that the Puritan ethic that if a man work not, neither shall he eat, has become practically the only remnant of religion.

As regards (2) above, the shortest comment is that money is not what it seems or is said to be — a commodity. Metallic currency is a commodity. In Australia in 1974, coins represented 0.08 *per cent.* of the volume of money. If paper notes are (wrongly) supposed to be a commodity, notes and coins together represented 8.65 *per cent.* of the volume of money. (The 'commodity' value of a one-dollar and of a hundred-dollar note is practically the same — the cost of producing them). The rest of the volume of money (91.34 *per cent.*) is represented only by figures in books — i.e., it has no physical existence, except in part as an ephemeral existence in the form of undeposited cheques. And here again, an individual cheque may 'represent' any sum of money, but is only an instruction to banks to alter figures in books. Thus for the most part, the financial system is simply a form of accountancy, based on the creation of bank-deposits by the granting of 'loans' by banks. Banks do not lend anything — they merely afford a facility — the honouring of cheques in excess of the banks' *cash* holdings.

There is a third assumption of theoretical economics — that increasing 'production' of itself is of intrinsic value. This assumption is negated by the fact that the real purpose of production is consumption, and that when the desire or need for consumption is satisfied, only maintenance production is required. In the case of durable goods, it is obvious that where the rate of production exceeds the rate of destruction (wearing-out, obsolescence) increasing production leads to saturation of demand. (This is equivalent to the concept of population explosion. If the birth-rate exceeds the death-rate, the population increases, and eventually would outrun essential resources). If, in the attempt to maintain increasing production (to maintain full employment), artificial obsolescence is introduced, it simply wastes raw material resources and energy.

In the light of these considerations, the objectives of realistic economics can be stated. Firstly, the objective of the industrialised production system should *not* be to provide full employment, but to distribute the leisure which labour-saving makes possible.

Secondly, in addition to the production of goods and services, a major present function of the industrial system is the distribution of money incomes, without which the product of industry cannot be obtained. The far greater part of this distribution is spent as received, and mainly on "cost-of-living" items. It therefore appears that the more the production (regardless of its real utility) the greater the income. But as we have seen, as saturation is approached, production "stagnates". One effect of this is a loss of liquidity in industry, increasing the burden of overhead and other costs in industry, thus generating an increase in prices — one form of "cost-push" inflation. Any increase in prices stimulates a demand for an increase in remuneration, which if obtained necessitates an increase in the volume of money, but also increases costs in industry and a further increase in prices — inflation. Hence — "stagflation".

If the nature of this cycle is appreciated, it is evident that an increase in the volume of money is necessitated by, rather than causes inflation. Thus in this, as in other respects, orthodox economics has the cart before the horse.

This situation is like a train pointed downhill on a curved track, and afflicted with brake failure. And the longer the train (i.e., the greater the degree of industrialisation), the greater the momentum and the more devastating the ultimate catastrophe.

In these circumstances, it is sheer and simple nonsense to talk of "mismanagement" of the economy. No matter which Party is in power, if its actions are based on assumptions which are invalid, the eventual outcome — real economic breakdown — is mathematically certain. "Stagflation" is widespread in industrialised nations with the exception of police-States — notably the USSR, where accelerating armaments production maintains full employment with the objective of attaining "through war, or under threat of war", a universal police-State: World Government.

In other countries only war, or preparation on a large scale for war, could prolong the life of the present financial-economic system much longer. There are probably very few professional economists who would deny that *genuine* preparation for war — i.e., large-scale production of armaments and transport facilities, and absorption of some of the unemployed into the Army for training — would rapidly 'cure' unemployment.

But the real problem is not to 'cure' unemployment. Unemployment under present conditions represents labour saved, and should properly be regarded as leisure gained, but not equitably distributed. Thus the proper approach is to distribute this leisure in such a way as to benefit the whole community with the least disruption of the social order as it has evolved.

As things have developed, the most appropriate way of doing this appears to be an all round reduction of the retiring age to a level where all school-leavers could take their place in the work force. Such retirement should be adequately financed — that is, should at least provide for a continuing standard of living at the level attained at the previous age of retirement.

As an economic problem, inflation is merely an arithmetical matter, and arises out of the method of costing production, and arithmetical methods could dispose of it. As a political problem, however, philosophical considerations enter in. As noted above, employment is currently regarded as an objective of the industrial system, and this regard arises from a conception of what Society should be. The (literally) ruling conception is of a pyramidally organised Society: the Rulers and the Ruled. Full Employment is the doctrine by which this conception is enforced. The best of the hours of the 24-hour day see most of the population imprisoned, either in compulsory schooling, or in 'employment' which makes no distinction between the productive and the non-productive. And even of productive employment, a great deal of its cost is the equivalent of wages paid to plant — buildings and machines — but not distributed to the consuming public. In effect, it is necessary to build battle-ships or otherwise expand production, of no direct use to the consumer, but a means of distributing income to purchase the loaves and fishes. Total costs of production are thus necessarily greater than the incomes of consumers, generating wage-demands and thus accelerating inflation and necessitating an increase in the volume of money required to finance them.

But if this increased volume of money were applied to a reduction in prices of consumer goods, inflation would be reversed, so that a given income would have an extended purchasing-power — a situation correctly reflecting the real physical situation, which is that the physical purchasing-power of human effort is enormously multiplied by the employment of

power-driven machines and the extension of automation.

The provision of money for this purpose is quite simply only a matter of accountancy.

And the alternative, equally simply, and certainly, is either war, or the imposition of a police-State of either the Right or the Left (What's in a name?) much sooner, from current indications, than George Orwell's 1984 by which time the world has both universal war and universal Police State.

At a given point of time - in the context of a generation (about thirty years) several months can be considered as a point - the population is static. Thus there are *w* retired, *x* employed, *y* unemployed, and *z* in school or infants. If we assume that the number of persons between the ages of say 18 and 65 represents "full employment", these will be responsible for the total production on which the living standard of the whole community depends. In 1974 in Australia the "work-force" represented about 44 per cent. of the whole population - and it must be borne in mind that only a proportion of these is engaged in consumption-productive employment (3 per cent. of the total population produced a large exportable surplus of primary production). Of the remainder, some carry on essential, but non-productive, services; but others are engaged in counter-productive activities, often arising from unnecessary complexities of the present economic system. Expanding the bureaucracy merely to "create jobs" is a glaring example, and the enormously complex taxation system, and the legal and accountancy problems entailed thereby, is similar.

Earlier retirement of seniors over a period of time would not affect the volume of production, and incomes paid to new

entrants to the work-force most certainly need not affect the standard of living of those retiring. One might as well say that if we paid the unemployed to expand the Army (non-productive) the elderly should be taxed extra. Just as at a point of time the population is static, so is the level of consumption. What was produced and consumed yesterday, is normally produced and consumed today, and tomorrow. What is abnormal is a sudden restriction of the money supply, which has a compounding effect in dislocating the economic system.

In the diagram below, (a) represents the age-distribution of persons employed in Australia in 1974. In (b) the number of employed persons remains constant, but there is a down-shift in the age distribution, more school-leavers entering the work-force, while seniors retire earlier.

In (c), where there is "forced" unemployment (lack of jobs) because of increased productivity as shown in the Technocracy Chart, the beginning-age for employment is raised, allowing for increased tertiary education or opportunity for travel with an enlargement of perspective. But the earlier (and, progressively, earlier still) retirement of seniors is retained. This simply reflects the fact that a given level of consumption can be sustained by a diminishing work-force proportionate to the total population, and a more efficient use of machines. Furthermore, the upshift in seniority provides opportunity for promotion and encouragement of efficiency.

Once the "work-ethic" is eliminated, it ought to be clear that with increasing leisure within a life-span, the general standard of living can continue to rise while the level of employment falls.

EMPLOYMENT BY AGE GROUPS

	15 - 24	25 - 59	60+
(a)	25.76%	72.26%	1.98%
(b)			
(c)			

Grass-roots Economics

(Originally published as a Supplement to *The Social Crediter* in June, 1968)

Since its inception, *The Social Crediter* has had as its policy "Political and Economic Realism". It is a journal of policy, not of opinion. But we live in a world of opinions, mostly disparate. Political opinions are in the main a collection of "I think"s, manipulable in a broad way by the mass media. Economic opinions, on the other hand, have something of a hypnotic quality, based on an inculcated belief in certain 'axioms', such as that money has a real existence in the sense that gold and coins have a real existence; that the quantity of money, while increasing slowly with the continued mining of gold, is relatively fixed in amount; that the poor are poor because the rich are rich—that is, that the rich have a disproportionate share of a limited commodity. These, and related beliefs, are static conceptions.

But the essence of the economic system is its dynamic quality, and to gain a comprehension of this vital fact has proved the hardest task faced by Social Credit.

Imagine a young couple, both employed at moderate salaries, who decide to get married. Heretofore, they have lived with their parents, perhaps contributing to their own upkeep. The balance of their incomes, nevertheless, has been sufficient to provide for clothing, dining out, and various amusements.

Once they are married, however, the problem of accommodation arises. Usually this will be met by renting some rooms and 'facilities', or a flat, or a house. This rent, in one form or another, is a permanent charge against their income.

If the accommodation is rented unfurnished, the next immediate problem is to furnish it. By hypothesis, they do not possess sufficient savings for this. But the system of time-payment is available to overcome this difficulty. With what savings they do have to pay a deposit, they can acquire for immediate use a certain amount of necessary furniture. At the same time, however, they have acquired another charge against their income—this time, it is true, for a limited period only. In their calculations, of course, they have had to allow for the purchase of food and clothing; but with prudence, the balance of their income still allows of activities outside mere domesticity.

Now, perhaps, comes the question of the desirability of—sometimes, even, the necessity for—a car. Here, it may be found, the balance of their incomes, after a period of saving to acquire a sum of cash to pay a deposit, will provide for periodic payments under the terms of a hire-purchase agreement—another fixed charge against their income. But there is still a sufficient balance, let us say, to make similar arrangements for the acquisition of a TV set.

Varying in detail according to original circumstances, this process of acquisition may go on until the sum of various fixed charges (for which nothing further is obtained) mounts until the balance of income above an agreed level of sustenance approaches zero. Increments of salary, of course, may defer this. But after a while, the problem of maintenance appears, and, indeed, is apt to increase; repairs to and servicing of the car; faults in the TV and washing-machine; the wearing-out or even obsolescence of clothes; and in addition, there is the erosion of the purchasing-power of the balance by the steady course of inflation which, besides raising the immediate cost of sustenance, may also result in increased rent. These problems of maintenance and inflation may be met temporarily by the working of overtime; and unexpected financial emergencies may be overcome by buying necessities on credit—i.e., running up bills.

The case of a couple which is able to purchase, furnish and equip a home out of savings is not essentially different from that of the couple relying on hire-purchase. The savers lose interest on their savings, the hirers pay interest (usually greater than the interest foregone). But the savers have to look forward to the wearing out and obsolescence of what they have bought, as well as maintenance charges. If replacements and maintenance are to be met out of further savings, the savers have to be made, and therefore are not current or 'free' purchasing-power.

Before considering how this situation affects the community as a whole, it is worth examining what personal ownership of such things as cars, refrigerators, TV sets and even homes amounts to. *In themselves*—nothing. In every case it is the product or accomplishment of the article which is of concern. The motor-car—for its ability to provide transport; the hi-fi set or radio—for its ability to provide a musical programme or the spoken word; and so on. But personal ownership does give a more personal choice. Your own motor-car can usually take you from A more nearly to B than can public transport, while a taxi, which can do the same, costs more. Other considerations apply in other cases. The important point is that fundamentally it is the product which matters to the individual; and this is even more obviously true of factories and other elements of the industrial

economy. 'The public' wants motor-cars, not the factories which produce them. (This is true even though some of the public may partially 'own' some of the factories, etc., through shares which pay dividends. Dividends represent purchasing-power, which is spent on the *products* of the manufacturing system.)

For both hire-purchasers and savers, the rate at which zero free or uncommitted income is approached clearly varies with economic status and prudent management. But the process illustrated is basic economic reality. On the family level, because it is so many people's personal experience, it is easy to grasp. What is illustrated is the tendency for an increasing proportion of current income to be allocated to fixed charges for which there is no current return. It is true that for people on higher incomes, unless there is bad management the problem does not arise in the form stated. But for the community as a whole, and appearing in another form, this problem is universal and the central one of economics.

For the community as a whole, the items such as furniture, cars, refrigerators, TV and, in the longer term, maintenance are represented by capital goods—factories, and what are known as intermediate goods, or semi-manufactures—goods not bought by the public. Almost all factories have been in existence for many years; but they were paid for *at the time of their construction* in much the way that say a car is paid for by a hire-purchase organisation at the time of its delivery. But in addition to what a factory pays in wages and salaries as it manufactures goods for consumption, and which of course enters into the price of those goods, it charges for the *use* of the factory, and this charge also enters into the price of the goods it sells. These factory-charges are in every way the equivalent of re-payments to a hire-purchase organisation.

Disregarding increases in income brought about in compensation for inflation (which increases are reflected in *future* prices, thus maintaining the momentum of inflation), community income represented by wages and salaries is an only slowly increasing quantity, brought about in the main by an increasing population. And it is important to note and remember that the greater part of this income is spent as received—total annual savings are only a very small proportion of total annual wages and salaries.

On the other hand, the factory-cost component of prices is a relatively rapidly increasing charge due not only to the rapid multiplication of factories, but also to the rapidly increasing complexity of industrial production, which means that the wage-salary/machine-charge ratio constantly diminishes. This results on the community scale in the situation apparent on the family scale—a tending of 'free' purchasing-power *towards* zero. The community is committed to an ever-increasing volume of 'hire-purchase' payments—i.e., payments on account of factory-charges—and this is the fundamental cause of so-called inflation, which is properly considered as a diminution, or dilution, of free purchasing-power.

At this point it is worth noting that the real degree of inflation is a great deal greater than is disclosed by official cost-of-living indices. These are based on the prices of a number of staple items of consumption—more or less basic necessities. But the prices of non-necessities rise much more

rapidly, particularly in times of rapidly expanding economic activity, thus transferring 'free'—i.e., non-committed—income from the potential savings of individuals to the savings of institutions. These institutional savings are invested in further industrial expansion, thus increasing still further the factory-charges to which the community will in the future be committed.

In a developing industrial community, this whole situation is concealed, because industrial expansion at first distributes incomes without putting goods on the market. The wages and salaries paid to the builders of factories and machines, etc., are operative as *immediate* purchasing power, but factory-charges are *not yet* a 'hire-purchase' commitment against the community; these charges only come into operation when the factory "goes into production". And as long as expansion continues, these new charges are covered by the wages and salaries paid for further new construction. The present is paid for by debiting the future.

But since in a period of expansion new construction outstrips obsolescence, the growth of factory-charges is an accelerating one, and therefore industrial expansion tends towards saturation, as is the case in Britain, much of Europe, and the U.S.A., and as this occurs the pressure of commitments on income becomes manifest. The orthodox remedy for this situation is to increase exports in excess of imports, augmenting income without increasing the volume of goods to be bought in their country of manufacture. This is the equivalent of working overtime to meet excess H.P. commitments.

But of course such a 'favourable' balance of trade becomes increasingly impossible between fully industrialised communities, since they all face the same problem. On the other hand, 'under-developed' countries are not satisfactory markets for the sophisticated manufactures of which the 'developed' countries have to dispose. You can't sell a large volume of automobiles to countries without roads, nor electronic equipment to countries without electricity. And in any case underdeveloped countries do not have 'money'; they have to trade raw materials. They may be afforded 'grants', usually in the form of loans, and in this case they too incur 'hire-purchase' obligations.

There are a number of factors which aggravate the fundamental situation described; but they are best studied in full technical expositions, such as C. H. Douglas's *Monopoly of Credit*, *Social Credit*, and *Economic Democracy*; and B. W. Monahan's *Introduction to Social Credit* (these books are currently available). However, there is no doubt as to the fundamental economic reality: after a certain period of economic development, any economic community becomes over-committed to factory charges, just as a family may become over-committed to hire-purchase payments, with no further 'over-time' work available. On this basis it is possible to say with certainty—as *The Social Crediter* did say when the Wilson Administration announced its economic measures to deal with the 'crisis' it suddenly discovered—that those measures could not possibly succeed in their ostensible objectives.

So we are confronted with a system which does not work as it is supposed to work. It is, for example, manifestly absurd that when a community attains economic maturity—i.e., when its industrial structure is more than sufficient to

supply the requirements of its population—the population cannot obtain its requirements without recourse to further redundant expansion at an accelerating rate, or by an excess of exports over imports, which really means giving goods away. Put simply, total incomes are insufficient to meet the day-to-day cost of living, *and* total factory charges.

Currently, Britain is suffering a 'sterling' crisis; and the U.S.A. has been warned to expect the worst financial crisis since 1931 before the end of this year. But in terms of economic reality—i.e., the ability to produce the requirements of the population—such 'crises' are financial mirages over the desert of accountancy. What stands between ability to produce and ability to consume is insufficiency of income. Quite clearly, there is a defect in accountancy; and the solution of our 'crises' cannot but mean a rectification of accountancy. The cost-accounting of production needs to be compensated by cost-accounting of consumption (*op. cit* above).

In passing, it may be noted that governments stand to financial institutions in the same way as do families to hire-purchase organisations. Much government financing is by way of loan funds, the bulk of which come from financial institutions; in consequence, an increasing proportion of taxation is to meet 'hire-purchase' charges, and this is the real explanation of ever-growing taxation.

It must be emphasised that this whole matter is a *community* problem: no redistribution of a totally insufficient income will make it sufficient. In fact, "soaking the rich" makes the problem worse, since the demand for high-priced goods slackens, and this gives rise to unemployment, which in turn slackens the demand for less high-priced goods . . . the well-worn road to depression. Any factory must produce or perish, for it too is involved in the hire-purchase situation. It must maintain the 'value' of its shareholders' funds and pay a dividend; or repay bank loans and interest; or become bankrupt.

Now, what happens when a family becomes over-committed in hire-purchase obligations? It suffers re-possession by the hire-purchase organisation of one or more of the articles 'on hire'.

On the community level, there is an equivalent for this situation. For reasons which are explained in detail in the books referred to above, banks may be regarded as hire-purchase organisations in relation to the industrial system and governments; and a community which is over-committed to factory charges (using this as a comprehensive term for a complex situation—see books referred to) finds its capital assets progressively forfeited to the banks.

Put as simply as possible, this is the economic reality which underlies nationalisation of industry. The pre-occupation of governments with 'economic management' simply means that they are executives carrying out the orders of the 're-possessors' of industry. The origin and further consequences of this situation are the subject of the editorial content of *The Social Crediter*, which, by reason of developments, deals mainly with political reality. But some appreciation of the essentially dynamic, or flowing and compounding, quality of economic reality is vital to an understanding of political reality; and a full understanding essential to those who may play a part in the rectification of our troubles if an opportunity for this is still possible.

The End of the Road

Addressing the Annual Conference of the Conservative Party Mr. Edward Heath said "Britain has reached the end of the road". He went on to say that other countries had been sympathetic towards Britain's growing predicament and in the past had helped; but could do so no longer. He foreshadowed grim times ahead, to be met by Britons (and, we may add, the multiplying immigrants) on their own. Gone, it seems, are Mr. Heath's euphoric visions of prosperity as a Member — and, indeed, a Leader — in the European Economic Community, cooperating gloriously with Eastern Europe in international projects too large for any single nation.

By help, of course, Mr. Heath means financial help — the granting of loans. But Britain since the war has lived on loans, and if these are cut off, what does she live on? And how does she borrow her way out of the astronomical debts already incurred?

In *The Social Crediter* of Dec. 29, 1945, C.H. Douglas wrote: "We almost feel that we ought to apologise for recalling to our readers that 'exports' from this country are mainly imports more or less processed, and then re-exported. The obvious result of this elementary fact is that an increase in exports of 75 per cent., which we are now told must be attained if we are to live at all, means that we must import and pay for, as well as transport, free, all the raw material of these exports which is not indigenous, before we have a penny to spend on either maintaining our plant or raising our standard of living. And our competitors have only to put down prices in the competitive market for ten years, to ruin us permanently. [*]"

"Quem deus vult perdere, prius dementat".

And again (Feb 2, 1950): "Adjusted to the purchasing power of the gold sovereign and the wage standards of 1890, we have probably exported at a total loss, i.e., thrown away both without thanks and at the risk of international complications, not less than Ten Thousand Million Pounds' worth of production in the last sixty years. The amount may easily be much greater: it is certainly not less. Not one penny's worth of that production has gone to raise the standard of the living of this country. Up to the present, we have spent on this war about twenty-five thousand million pounds, which is rather more than the estimate of the whole capital assets of Great Britain before the war. In the 1914-1918 phase of the conflict, we probably spent one quarter as much; but in neither of these cases is it easy to say what was the total capital loss, if the greatest item of all, human wastage, is given a monetary figure, which is no doubt what our dialectical materialists would consider proper.

"We have no reasonable doubt that this situation, and the state of the world at the present time can be broadly, but with approximate accuracy, attributed to:

"ULTIMATELY, a compact organisation, possibly controlled at the top by something the Churches call Satan. Freemasonry appears to be the Church of this Body. PROXIMATELY, by two mechanisms, one of which we call political, which has various disguises, but favours 'majority democracy'; and the other, financial, of which what may be called the A + B factor results in the opportunity for continuous inflation with spurious currency. The flat contradictions of the existing British policy are not foolishness; they are, for the first time, open and undisguised efforts to secure the final triumph of World Domination which has been the covert purpose of every major event since the French Revolution, and probably for many centuries before that."

[*] In fact, the more subtle method adopted was differential inflation rates, making the collapse of Sterling look like a natural disaster: nobody to blame. But the end has been accomplished: Sterling down by 38% since 1971 — Ed. T.S.C.

And a further comment (April 29, 1950) particularly relevant to the current state of the world: "There is no surer indication of misdirection [not, be it noted, "mismanagement" — Ed. T.S.C.] than a continuous rise of the cost of living which, it should be borne in mind, includes the involuntary losses of the individual in taxes, rates, and extortions, as well as his direct expenditure. The idea that high taxation prevents inflation is ignorance or worse."

It is obvious that if one comes to the end of a road, one must have been *moving towards* that end from some other position. We might pin-point Britain's 'victory' at the end of World War II as the beginning of that section of the road that leads to the end. This section was called "post-war economic recovery"; the Fabians called it "the Welfare State". But Mr. Eden had proclaimed it in advance "Our New Order". They were obvious misnomers: the road has led to economic ruin.

Clearly, the direction of the road, and that followed by successive governments, has brought Britain to where she is. "Following a road" means, in political terminology, implementing a continuing policy, which is what successive governments have done. The policy is called internationalism, but is, in practice, supranationalism. Nationalism is the expression of the culture of a people, and is a far more identifying feature than race, colour or even, these days, religion.

Culture is incarnated in tradition, and as Douglas wrote (*T.S.C.* Aug. 25, 1925): "It is in the failure to present that tradition as a living force of which to be immeasurably proud, instead of something for which to make an apology, that the so-called Conservative Party — a body, as such, without a soul — has been guilty of the unforgivable sin, and must suffer for it. And the most deadly error we can make is to look to it, in its present form, for salvation."

A miracle might just save Britain, but there are no portents of a miracle. The situation remains as described in *T.S.C.* May 2, 1970:

"One of the late C.H. Douglas's most important contributions to the understanding of political reality was his recognition that warfare, including Party political warfare, is of the nature of a prize-fight, fought not for the benefit of the contestants, but primarily for that of the promoter. A limited tenure of office is the prize awarded to the successful Party in an election, but the gain to the promoter is increased centralisation of power which continues irrespective of Party. The basic agenda of any election is the increase of government power, under the guise, these days, of increased efficiency or greater competence. Society is conceived not as a mutually beneficial association of individuals, but as a semi-military organisation geared for the maximum of production, irrespective of the nature or destination of that production. Production for an export surplus — now being transmuted into production for aid to under-developed countries — is pure economic loss. Accelerated capital development is the sacrifice of present generations for the hypothetical benefit of succeeding generations; or, as Douglas put it, the chief effect of improvement of process is not to shift the burden of work from the backs of men to machines, but to enable the worker to do more work. And as the national capacity for production outstrips the national capacity for consumption, the problem becomes international, calling for World Government. And just as all federations of States lead inexorably to domination of the Federal Government over the States, so the emergence of the organs of World Government will lead to the end of national sovereignty.

"In this context, there is now very little hope left for Britain

as a cultural entity which in its heyday impressed its pattern on the world. The leaders of the major Parties are self-proclaimed internationalists, appealing, as Douglas said, to 'an anonymous, irresponsible, and misinstructed ballot-box democracy . . . if our destinies be submitted to decision by that process, the outcome is a mathematical certainty — our final eclipse'. Unless internationalism, however disguised, is denounced in Parliament as the treason it is, that dire prophecy will shortly be fulfilled."

"Prophetic Doom"

(Originally published in *The Social Crediter* in December, 1971)

James Reston, a member of the Council on Foreign Relations (CFR), wrote in the *New York Times* of May 21, 1971, that "Nixon would obviously like to preside over the creation of a new world order, and believes he has an opportunity to do so in the last 20 months of his first term".

Mr. Reston would have been more accurate had he written of the *birth* of a new world order. The *creation* of a new organic form precedes—often by a very long period of time—its *birth* into the world of already manifested creation. The moment of conception is always a mystery. And after this moment, the fact of conception remains hidden for an indefinite period, until its growing maturation brings forth evidence of its ultimate or imminent birth. And thus it is with "a new world order".

In his *Programme For the Third World War* (Chapter VIII) the late C. H. Douglas pointed out that the existence of the American continent was known in banking circles when it was quite unknown outside them. "If this was so, it is reasonable to assume that when action was taken in regard to this knowledge it was considered action."

Douglas also drew attention to the design of the Great Seal of the United States, the obverse of which bears the Masonic symbol of World Government, and the inscription "Novus Ordo Seclorum"—"A New World Order"—the designation of President Nixon's New Economic Policy as of Lenin's transitional economic policy in Soviet Russia. What was sprung by Lenin on Russia was a system incubated in advance, just as Nixon's "new" policy was preceded by enabling legislation well in advance of its implementation, now in train (see T.S.C., Oct. 2, 1971).

This is the background to Professor Arnold Toynbee's statement (see *International Affairs*, Nov. 1931) that "We Europeans have called a new world into being not to *redress* but to *upset* the balance of the old" (original emphasis). Professor Toynbee was for many years Director of the (originally) British, now—since 1926—Royal Institute of International Affairs.

On Nov. 10, 1970, a banquet was held at the Mansion House to celebrate the 50th anniversary of the founding of the Institute. The speakers on the occasion were Mr. Edward Heath, Prime Minister of (once-Great) Britain, and J. M. A. Luns, Netherlands Minister of Foreign Affairs. Mr. Heath in common with the Prime Ministers of other Commonwealth countries, is an Honorary President of the Institute; and is also (or was) a Director of Brown Shipley & Co., the London branch of a powerful American financial group and a Corporate Subscriber to the funds of the Institute. In his address, Mr. Heath "recalled how it was decided at a meeting of the British and American delegates to the Peace Conference in Paris in 1919 [Professor Toynbee was a Member of the British team, and Walter Lipp-

man of the American] to found an independent Anglo-American institute for the study of international affairs.

"Later this body was divided [binary fission] into two institutions, the Council on Foreign Affairs in New York and the British (later Royal) Institute of International Affairs, better known as Chatham House. It was essential, said Mr. Heath, that people should know and understand the issues which confronted the Government [which people?]

"The contribution of Chatham House to this task has been outstanding and over the years successive British governments have been deeply indebted to the Institute for all it had achieved."

—"Successive British governments." The White Paper, "The United Kingdom and the European Communities", says: "A decision not to join would be a reversal . . . of the whole direction of British policy under successive governments during the past decade". Mr. Heath's remark makes it clear that the 'direction' given to the successive governments came from Chatham House. How is it done?

The Annual Report of the Council of the Institute, 1970/71, which reports Mr. Heath, also discloses that "On 7 and 8 May, 1970, a conference on the theme of Europe in 1990, organised by Chatham House and PEP was held at Chatham House to mark the 20th anniversary of the Schumann Plan for a European Coal and Steel Community. . . . The Rt. Hon. George Thomson . . . spoke of the main problems likely to arise in the forthcoming negotiations for British membership of the European Communities—both the technical problems . . . and also the *greater issues of a more united and effective Europe*" (emphasis added).

Again: "At the beginning of November 1970 four representatives from Chatham House together with the Directors of the Institute for Strategic Studies [which has informed the world that Soviet Russia has achieved strategic superiority in Europe], PEP, and the Committee on Invisible Exports and a representative of the National Institute for Economic and Social Research visited Brussels to meet members of the Commission of the European Communities".

Under the heading: *Chatham House Studies Programme*, the *Report* states: "The study groups and conferences bring together widely differing categories of scholars, officials, businessmen, journalists and others, and the educational character of these groups is to some extent their sufficient justification". But not the whole extent, of course.

Compare this with the purposes of the CFR: On July 29, 1921, the Council on Foreign Relations was incorporated, to bring together "experts on statecraft, finance, industry, education and science; to *create* and stimulate *international* thought among the people of the United States, and to this end, to cooperate with the Government of the United States and with international agencies . . . to create new bodies, and to employ such other and further means, as from time to time may seem wise and proper" (emphasis added). "Further means" include addresses to selected industrialists by such foreign policy experts as Castro, Mikoyan, Hammar-skjold, Nkrumah, etc.

This is the technique of semi-secret or anonymous 'background briefing'. Participants in these Chatham House and CFR programmes are informed that they may make use of the information gained at various sessions, but may not attribute their knowledge or opinions formed to Chatham

House or the CFR. This procedure inevitably induces a feeling of superiority in the 'insiders' as against the 'outsiders', and accounts for the pontifical attitude of so many professional political commentators: they are "in the know". And it accounts also for the international unanimity of comment on international affairs. They follow the 'Line' agreed in the inner Councils of Chatham House and the CFR.

Following the 'binary fission' of the British Institute, the Royal Institute has metastasised throughout the Commonwealth, while maintaining an almost symbiotic relationship with its binary product, the CFR; and of course there is a close association with similar organisations in almost every country—they are listed in the Council's Report, together with much other revealing information relating to such matters as finance and sponsorship. Both Chatham House and the CFR are sustained by massive grants from international banking groups and the great tax-free Foundations, such as the Rockefeller, and the Carnegie Endowment for International Peace, which financed the study for the military invasion of Southern Africa. Brown Shipley & Co. Ltd. also subscribes. Both Chatham House and the CFR advocate international socialism, which Brezhnev has assured us is inevitable.

Parallel with, and also supported by financial Foundations and sometimes running joint projects, is the organisation (an offshoot of the Fabian Society) Political and Economic Planning (PEP), frequently mentioned in the Report. Its directorate interlocks with Chatham House, but PEP emphasises economic strategy, and thus is something of a wheel within a wheel—but a highly influential one.

All this is the real background to the attempt to subordinate Britain to 'Europe'—an attempt which has nothing to do with economics *per se*, but a great deal to do with the economics of international cartelisation—the world organised as the province of economic internationalism whose consummation is hindered by local national sovereignties. It is the culmination of what Professor Toynbee described as "a deliberate and sustained and concentrated effort to impose limitations upon the sovereignty and independence of the fifty or sixty local sovereign independent states" (*International Affairs*, Nov. 1931). Moreover, he specified deception as the means to achievement ("All the time we are denying with our lips what we are doing with our hands")—a deception still manifest today ("There is no question of any erosion of national sovereignty"—White Paper).

Now if there is anything left that can save Britain from subordination to Europe, as a major step to eventual Communisation, it is *concentration of all the forces in opposition to 'joining Europe' on the narrow front of the preservation of sovereignty*. The economic issues are phonies—distractions deliberately conceived. A straight-out political union with Europe would never have been tolerated by the British public, and its advocacy *as such* would have been death to any political Party.

The Queen in Parliament embodies the national sovereignty of Britain, the preservation of which is the first duty of any Government. Adhering to the Treaty of Rome abrogates that sovereignty, and the advocacy of that abrogation is an act of treason—a violation of allegiance to the Sovereign. It has been well established that the substantial majority of the British are opposed to 'entry', so that the problem is to make that opposition effective; and the way to do that is to focus it sharply on the only vital issue—*sovereignty*. *Of course* Britain can survive economically—

if sovereign. After all, Britain led the world in industrialisation. But with loss of sovereignty, Britain's economic interests can and almost certainly will be subordinated to equalising the world's wealth.

That this is the probability is cunningly canvassed in the *Times's* leading article, Nov. 20, 1971, based on the Rutherford lecture given by Dr. Hugh Montefiore, Bishop of Kingston upon Thames. The *Times* comments: "Internationally, there would have to be similar restraints on the exercise of national freedom of action. Although as he sees it the 'great debate' went off the rails by failing to 'lead people to an understanding that there is not much more economic growth possible; or if there is, it will lead to later collapse', he detects in the EEC the germ of the kind of surrender of sovereignty that the situation requires. It would be a nice irony if the Common Market, advertised as an association for waxing fat, proved its usefulness as an instrument for abating the rapacity of industrial society.

"No such redirection of the collective energies of men would be possible without a drastic revision of political and social attitudes. . . ."

"Yet before man is broken of his acquisitive attitudes in relation to the material universe, before the new conservationists have better success than the old gossellers have had of imparting a religious frame of mind to man in his political capacity, people will have to be brought to assent to the reality of the prophetic doom awaiting them if they do not mend their ways. . . ."

Russia, China, Eastern Europe, North Vietnam, Cuba, Chile . . . are examples of the "drastic revision" which the *Times*, and Chatham House to which the *Times* subscribes, has in mind and in prospect. It will not be averted, as many seem to think, by future obstructive tactics in the House of Commons. Beyond doubt, there is a well-considered strategy to overcome Parliament. Only if public opinion overrides Parliament to prevent the formal admission to the Treaty of Rome will there be a viable British future. The stakes, as Douglas observed long ago, which are being played for "are so high that the players, on one side [Chatham House-CFR-PEP-International Finance-Communist Russia] at least, care no more for the immolation of the peoples of a continent than for the death of a sparrow". And that is being demonstrated day by day in Vietnam, the Indian sub-continent, and Ireland. The immolation is being carried out in those areas because there the heavy industry and major resources which are the stake at issue are not at risk. If Europe, including Britain, can be taken by stratagem rather than by force, the "prophetic doom" can be administered at leisure, as in Russia under Stalin, at the end of Lenin's transitional New Economic Policy.

The British people have been, and are being conned. If the Treaty of Rome is signed, they are doomed to extinction as a nation, and in many cases, as individuals.

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