

# THE SOCIAL CREDITER

## FOR POLITICAL AND ECONOMIC REALISM

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### America 1971\*

The politics of dollars and sense

By GARY ALLEN

(Continued)

True, Democrats had been the first to become enthralled by the Keynesian economics, and no doubt some experienced a certain shrill jealousy at exposure of the fact that Keynes was now the Nixon favorite. It was not, however, a whirlwind romance. At least twice before the last election the *Wall Street Journal* had emphasized that in economic policy Mr. Nixon was an "activist", an "interventionist", and a "Keynesian". In his inaugural address, President Nixon had chosen to say that "we have . . . learned at last to manage a modern economy to assure its continued growth". And he proceeded to appoint three prominent Keynesians to his Council of Economic Advisors. Apparently it had never before occurred to any reporter to ask Mr. Nixon if he were, indeed, a Keynesian. He even had to volunteer the fact to Howard K. Smith.

What does all of this mean? It means that Richard Nixon is now openly using the Fabian Socialist theories of John Maynard Keynes to play radical politics with the American economy. When Republicans fared poorly at the 1970 mid-term elections because their high interest rates had produced a business slow-down, the Administration pushed the accelerator of government spending to the floorboard. A Republican President had decided to outspend the wildest of Democrats!

In introducing his \$229 billion Budget, described by the *Wall Street Journal* as a "blockbuster", the President let it be known that he would deliberately run an \$11.6 billion deficit—the largest planned deficit in all history. The late John Maynard Keynes, it seemed, was alive and well and sitting sweetly on a bearskin rug in the White House. On the theory that a little bit of sugar helps the medicine go down, Mr. Nixon's economic advisors even created a sweet-sounding gimmick to help peddle their massive deficit. They called it a "Full Employment Budget"—a term rivaling "Silent Majority" and "Vietnamization" for sound and fury signifying nothing. Dispensing this Keynesian lure, the President maintained:

*The full employment budget is in the nature of a self-fulfilling prophecy: By operating as if we were at full employment, we will help to bring about that full employment.*

Giggle-giggle and goody-goody! The wonderful perpetual motion machine was here at last.

To have America operating under a "Full Employment Budget" is the same as if you were to say to yourself: "I am

making \$10,000 at my job this year. If I worked nights at a second job, I would be making \$15,000. Therefore it's all right to go into debt and spend \$15,000 this year." In January, *Republican Battle Line* called the Nixon scheme a phony gimmick and complained: "That such an economic policy has been tried before and failed in America did not seem evident to President Nixon. That such policies had been a dismal failure as administered by Roosevelt, Truman, Kennedy and Johnson, and even Eisenhower, did not seem to impress him."

That the propaganda around the "Full Employment Budget" was so much claptrap is further indicated by the fact that this year's Budget will be in the red by about \$25 billion, and yet it has certainly not produced full employment. As *Battle Line* laments:

*All this places the Democrats in an awkward position. Surely no plan Hubert Humphrey might have adopted as president as his own economic policies could have been any more liberal than that which the President proposes. Nelson Rockefeller, were he sitting in the White House as president, could not outdo the New Nixon in his blatant abandonment of sensible and conservative economic policy . . . Sound money, limited government and balanced budgets, Republican principles of the past, now seem to be cast aside.*

Little wonder that the respected economist Henry Hazlitt now sees President Nixon as an "economic crack-up".

During the Johnson Administration every issue of the official G.O.P. publication, *The Republican*, was fat with editorial cartoons depicting profligate donkeys spending America into perdition. During 1967, while on the primary trail, Richard Nixon made exorbitant Democrat spending his Number Two campaign issue, just behind the failure of the Democrats to win the Vietnam War. Mr. Johnson's 1967 Budget was \$158.6 billion, which at the time seemed astronomical. Mr. Nixon claimed that if that amount were not sliced by \$10 billion the country faced financial disaster. At a time when the Vietnam War was a far bigger financial drain than it is now, Richard Nixon argued that we should be spending around \$150 billion. President Nixon is now spending \$230 billion, and bills already introduced in Congress and likely to pass could push the 1972 Fiscal Budget (July 1, 1971 to July 1, 1972) to as high as \$250 billion. If Lord Keynes' sweet theories worked, that would be enough spending to employ not only every man, woman, and child in the nation, but most of the country's billy goats as well.

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\*From *American Opinion*, July-August, 1971.

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## FROM WEEK TO WEEK

The British people, for the most part unknowingly, are at present engaged in what, if it is lost, is their final battle for survival as a nation with a distinctive culture. Thanks to a deliberate policy of almost indiscriminate immigration, and the equally deliberate cultivation of the so-called permissive society, a great deal of the distinctively British culture has been submerged; but since a national culture is essentially organic, it can regenerate under suitable conditions, just as a tree grows from a seed that survives a drought or a fire. Nevertheless, over the ages numerous species of plants and animals have become extinct, as have cultures and even civilisations. A national culture is bound up with national sovereignty, and it is that which is under attack. That this attack is quite conscious and deliberate is proved by some extracts of a speech quoted by the late C. H. Douglas in an article he contributed to the journal *New Age* of January 14, 1932. The extracts are from an article entitled "The Trend of International Affairs Since the War" which was published in the November 1931 issue of *International Affairs*, the journal of the Royal Institute of International Affairs:

"Either our modern economic internationalism has to be sacrificed, or else we must learn to live our political and our cultural life on the modern world-wide scale, which we have achieved in our economic life already . . . .

"The other alternative, of course, is that we should bring our political and our cultural life into harmony with our economic life; that we should preserve our economic internationalism by internationalising our social life through and through, in all its layers . . . .

"You remember, perhaps, that one of the most famous generals in history once remarked that his opponents were invincible because they never knew when they were beaten. It is my hope that this same kind of invincible ignorance — a really heroic form of ignorance — may carry our generation to victory in our spiritual war for the establishment of universal and enduring peace . . . .

"If we are frank with ourselves we shall admit that we are engaged on a deliberate and sustained and concentrated effort to impose limitations upon the sovereignty and the independence of the fifty or sixty local sovereign independent States . . . .

"The surest sign, to my mind, that this fetish of local national sovereignty is our intended victim is the emphasis with which all our statesmen and our publicists protest with one accord, and over and over again, at every step forward which we take, that, whatever changes we may make in the international situation, the sacred principle of local sovereignty will be maintained inviolable. This, I repeat, is a sure sign that, at each of those steps forward, the principle of local sovereignty is really being encroached upon and its sphere of action reduced and its power for evil restricted. It is just because we are really attacking the principle of local sovereignty that we keep up protesting our loyalty to it so loudly. The harder we press our attack upon the idol, the more pains we take to keep its priests and devotees in a fool's paradise — lapped in a false sense of security which will inhibit them from taking up arms in their idol's defence . . . .

"In plain terms, we have to re-transfer the prestige and the prerogatives of sovereignty from the fifty or sixty fragments of contemporary society to the whole of contemporary society . . . .

"In the world as it is today, this institution can hardly be a universal Church. It is more likely to be something like a League of Nations. I will not prophesy. I will merely repeat that we are at present working, discreetly but with all our might, to wrest this mysterious political force called sovereignty out of the clutches of the local national states, of our world. And all the time we are denying with our lips what we are doing with our hands . . . .

"But supposing this does not happen? Supposing that the present generation of mankind is defeated in the end, after all, in the strenuous effort which we are making to centralise the force of sovereignty . . . .

"But Prussia has not ceased to be one of the great States of the modern world. She is still great, because her public organisation . . . is still second to none. I suggest to you that history is likely to repeat itself here, and that, once again, what Prussia is to-day, France and Great Britain and Italy, yes, and even the United States, are likely to become tomorrow. For the sake of the peace and prosperity of the world, I devoutly hope that my prophecy will prove correct."

Douglas commented on this:

"Now if the address from which these extracts are taken had been given at some local Socialist or Communist Forum, and had appeared in, let us say, *The Worker*, or some other organ of those sections of society which are more obviously suffering from the present state of affairs, one would, if one had felt obliged to notice it at all, have remarked that it was rather poisonous nonsense, and left it at that. Communists, in their periodical appearances in the police-court, might well refer to it. But the speaker was Professor Arnold Toynbee, who was one of the British representatives at the Peace Conference, and, I believe, amongst other things, is, or has been, the occupant of the Chair of Greek at London University, and the occasion was the Conference of Institutions for the Scientific Study of International Relations held at Copenhagen on June 8th, 1931, at which twelve countries were represented, and, in addition, delegates attended from four international organisations, the nature of which was not stated . . . ."

Those words of Professor Toynbee's were spoken forty years ago, and the words "the strenuous efforts which we are making to centralise the force of sovereignty" give the lie to

he words of the British Government's White Paper on joining the European Community: "There is no question of any erosion of essential national sovereignty." *National* sovereignty is to be completely eroded, in the interest of establishing the absolute sovereignty of an International Authority, via the intermediate step of transferring British sovereignty to European sovereignty. The ultimate Authority, masquerading temporarily perhaps as the United Nations, would have a monopoly of armaments, to ensure that there could be no national rebellion against International Authority. But to imagine that the people of the world could have any sort of control over say the General Assembly of the United Nations is sheer fantasy—a deception which will be sustained only so long as is necessary to secure a monopoly in the control of armed forces, when the General Assembly can be dispensed with.

Douglas's comment on Toynbee was contemporary; but in retrospect Toynbee's reference to Prussia forms a significant prophecy. Prussia, alias the Great German General Staff (which for practical purposes was Prussia), alias Hitler, made the attempt to Prussianise France and Great Britain and Italy. And what is the Common Market but the extension of the Prussian system of "public organisation" to France and Italy and Britain, yes, and even the United States—tomorrow, in the form of International Socialism, alias Communism? It is thousands to one that behind Herr Brandt's "power-house"\* stands the Great German General Staff—in mufti, as after Versailles.†

Professor Toynbee is still inveighing against 'local' sovereignty, and it is high time for questions to be addressed to Mr. Heath in Parliament as to his knowledge of the professor's views, and the ultimate aims of the Royal Institute of International Affairs and its U.S. counterpart, The Council on Foreign Relations, the effective Government of the U.S.A. For the objectives of the 'Cold' War are those of the 1939 war—the erection and perpetuation of a world-wide bureaucratic state—the absorption of national socialism into international socialism whose "total triumph" is, according to Brezhnev, "inevitable".

Theoretical analysis of the "world monetary crisis" is now completely irrelevant. It has been brought about just as deliberately as was the Great Depression of 1929, and for the same ultimate purposes. It is quite beyond question that the operation of the financial system is defective in the orthodox sense, and just as certain that those in control of it know this, and fully intend the worst of the effects it produces—the maintenance of an army of discontents who can be manipulated into the destruction of the institutions of a free society.

Whether the present 'crisis' initiated by the devaluation of the dollar is to be allowed to proceed to a full economic breakdown—thereby creating the conditions for a full Communist take-over—or whether it is in the nature of a trial run—is not yet (Sept. 2) clear. But it must be recognised that Soviet armed forces are now widely and strategically deployed, and that the essence of Lenin-Stalinist strategy is not the aggressive use of those forces to conquer the world,

\*See *The Survival of Britain*, p. 17.

†See *The Brief For the Prosecution*, Chapter VIII, for a critical analysis of the post-1918 period which, with modifications appropriate to the atomic-bomb era, is being repeated.

but to use them to support the revolutionary 'governments' which are expected to come into being in the wake of economic break-down, when strikes in key communications are expected to paralyse the military forces and capabilities of legitimate governments.\*

If the monetary crisis is the real thing, then almost certainly the 'Cold' War has ended with the victory of Communism, and the process of eliminating any possibility of counter-revolution will thereafter begin—the application of massive terror, the elimination of the *bourgeoisie*, and the abolition of private property. This now appears to be the crisis which C. H. Douglas fore-saw more than fifty years ago, and devoted the remainder of his life to the endeavour to avert it. In the end, he saw no other hope than to expose the Conspiracy behind it, and bring the Conspirators to account. But they are now, apparently, too numerous, too widely dispersed in positions of high but concealed power, and too entrenched for much hope to remain.

\*See *The State of the World* for a description of this strategy and its application.

## America 1971

(continued from page 1)

The point is that the man who campaigned as Mr. Frugal in 1968 is, in his third year of office, out-spending what he said his predecessor should spend by \$80 to \$100 billion. And some experts are predicting that Mr. Nixon could spend as much as \$275 billion next year. The truth is that the Budget is out of control, and the Nixon Keynesians are going berserk. As even "Liberal" columnists Evans and Novak admitted this year:

*What little doubt remained backstage in the Nixon administration that the Federal budget is spiraling upward out of control has been erased by the new and unpublicized shift in the White House about defense spending . . . .*

*This [new spending] removes the last serious hope of braking overall Federal spending. Regardless of how frugal or spendthrift the Democratic Congress chooses to be, the long-range outlook is for a succession of immense budget deficits—along the lines of the \$20 [really \$25.5] billion in red ink expected this year—with frightening implications for the nation's economic future . . . .*

*While Nixon and his press agents have persisted in claiming the budget is under control, serious economists in and out of the administration have known the somber truth for some time.*

This is the same Richard Nixon who in Dallas on October 11, 1968, declared that "America cannot afford four years of Hubert Humphrey in the White House" because he has advocated programs which would have caused "a spending spree that would have bankrupted this nation". Candidate Nixon flayed the Johnson Administration for failing "to cut deficit spending which is the cause of our present inflation". Budget deficits, he said, "lie at the heart of our troubles". For his own part, he renounced any "massive step-up" in federal spending. "This is a prescription for further inflation," said Nixon, "I believe it is also a prescription for economic disaster."

Again and again, during the campaign, Candidate Nixon roasted the Johnson spenders. With all the enthusiasm of an

amorous bull elephant, the editors of *Human Events* promoted Mr. Nixon's candidacy in their issue for September 28, 1968, by quoting him as follows:

... for five years this [Johnson] Administration has refused to keep federal spending within federal means.

The total deficit run up in the budgets of the Johnson-Humphrey years will amount to more than \$55 billions. This massive deficit has wracked and dislocated the economy . . . .

There is nothing the matter with the engine of free enterprise that cannot be corrected by placing a prudent and sober engineer at the throttle.

Goodness, a deficit of fifty-five billion dollars! Compared to Richard Nixon, Lyndon Johnson may go down in history as the Texas Tightwad or the Penny Pincher of the Pedernales. While it took L.B.J. five years to run up a \$55 billion deficit, Senator Harry Byrd notes that the accumulated deficit for Mr. Nixon's first three years will reach at least \$62 billion. Congressional experts are now predicting that a "prudent and sober engineer" named Richard Nixon could well pour on the red ink to a total of \$90 billion in this term of office alone. Lyndon Johnson once claimed he was more "Liberal" than Eleanor Roosevelt. Someone should ask our conservative friends at *Human Events* what that makes Richard Nixon!

Only a year ago President Nixon was pledging "to balance the federal budget so you can balance the family budget". When he introduced his last federal Budget he projected a \$1.3 billion surplus, which he said was absolutely "essential" to show that the government meant business in its fight against inflation. Next it was announced that the \$1.3 billion surplus would be, regrettably, a \$1.2 billion deficit. Then, gradually, the deficit escalated until it appears that Fiscal 1971 will end with a true deficit of about \$25.5 billion—a slight "miscalculation" by the President amounting to \$26.8 billion.\* The "prudent engineer" could well burst the boiler.

This year, instead of projecting a \$1.3 billion surplus, the Nixonites are planning an \$11.3 billion deficit. If the President's planners are as far wrong this year as they were last, the deficit could be between \$35 and \$40 billion. Indeed, Senators Harry Byrd and Herman Talmadge of the Senate Finance Committee both predict a \$40 billion deficit for the President's new Budget.

The spending policies of the man Republican campaigners called Thrifty Dick have already sent the national debt soaring at a rate to make John Maynard Keynes grin like a chorus boy in love. As of June 30, 1968, our national debt amounted to \$348 billion. By January of 1971, it had escalated to \$393 billion under the tutelage of "Poor Richard", who came to power reminding us all that a penny saved is a penny earned. One should keep in mind that this \$45 billion rise in the national debt came *before* the President announced his wedding to the followers of Lord Keynes. In January 1971, Mr. Nixon asked that a new debt ceiling be set at \$435 billion. His Secretary of the Treasury, John Connally, told a Congressional Committee that this new debt limit should be sufficient until the middle of 1972. Which cer-

\*According to columnist Hy Gardner, a stack of one billion one-dollar bills would reach sixty miles in the sky. This means that the "prudent engineer" has given us a \$230 billion Budget which, placed under the proper sort of dessert, would at least insure that at one point in the universe—13,800 miles into the heavens—it would be possible to have pie in the sky.

tainly suggests that the announced deficit of \$11.3 billion is a very small percentage of what is expected.†

In addition, the President obtained permission from Congress to sell \$10 billion worth of long-term bonds at rates higher than the 4.25 percent ceiling. Doubtless the *Insiders* of international finance are dancing about their maypoles with glee.

Interest on all of this spiraling national debt is now the third largest item in the federal Budget, lagging just behind Welfare and Defense. This year the tab for interest alone will run a maximum of \$21.1 billion. That is enough money to have run our federal government for the first 118 years of our history. It is more than our total federal Budget for any single year through 1942. Interest alone costs us more than \$40,000 per minute, and accounts for more than \$170 of every thousand dollars in taxes we pay.

(To be continued)

†The idea of a legal debt limit is a fraud, the limit being raised regularly on demand. The national debt has skyrocketed \$100 billion in the last decade. According to Senator Harry Byrd the national debt during Richard Nixon's first three years, combined with that of the last three years of the Johnson Administration, will amount to \$111 billion. You were wondering why your dollars are worth less and less?

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## THE STATE OF THE WORLD

This review of world affairs was originally published in 1946. It was reprinted in 1967 with some added notes. The essential thesis remains unimpaired; and fore-sight is more convincing than hind-sight.

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Part I is a collection of notes and comments which appeared in *The Social Crediter* during 1968-70. Individual notes cover a wide range of observation and argument, but have been grouped under roughly appropriate headings, numbered for reference and the date of publication of each note is given. All the extracts demand urgent attention.

Part II aims at introducing some realism into economic thinking. It contains proposals of prime importance which, although intended in the first instance for South Africa, could be applied in principle in Great Britain as a first step towards preventing inflation and even putting it in reverse, thus bringing speedy and progressive amelioration to all concerned.

The Appendix, entitled *The Trap*, describes the financial trap in which we are not so much 'struggling to survive' but which we are being prevented by the traitors in our midst from dismantling. This was published separately as a pamphlet in July 1969.

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