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America 1971*

The politics of dollars and sense

By GARY ALLEN

(Continued)

Our national debt, on the interest of which the *Insiders* of international finance grow fat, is now so big that United Press International tells us it would make a ribbon of dollar bills, 35-feet wide, that would loop around the moon and back. Or it would girdle the equator 1,552 times. Or fill 3,456 boxcars—enough to make a train 36 miles long. The only problem is that it would take about 171 years to print the dollar bills to meet such a deficit, and it would consume the labor of all one hundred U.S. Senators working nonstop for sixty-four years just to count those bills.

You can see why the *Insiders* of international finance like Keynesian economics. Only eight years ago the interest such bankers received was but \$10.7 billion. Plot that rate of interest on a graph and see what the interest will be in another ten or twenty years. Already seventeen cents of every tax dollar collected by the federal government goes to service the national debt. Yet the public and the politicians are for the most part indifferent. They have been confused by the tossing about of figures far too astronomical to fathom. Commenting on other reasons for public apathy about this mounting federal debt, Representative John Rarick told the House on February 18, 1971:

Still another explanation for this indifference . . . is the concept that has been drummed into the consciousness of the American people that the size of the debt does not matter since we owe it to ourselves. It is estimated that only 11.6 percent is owed to the small investor in the form of savings bonds in small amounts. The preponderant bulk of it is owed to the international bankers and financiers.

These blockbuster deficits, which fill the coffers of the *Insiders* of international finance, mean huge jumps in the cost of living for ordinary Americans. The economics of it works like this:

Federal deficits are turned into new money by the banking system. This new money then competes in the marketplace with the old money already in circulation and bids up the prices of goods and services.

Most people confuse "inflation" with an increase in the cost of living. Inflation of currency is an increase in the money supply (that is, it is a cause), whereas an increase in the cost of living is but a result. Government likes to blame business and labor. But of course only the government can cause inflation. The wage-price spiral results from the infusions of new deficit money. There can be no general inflation throughout

the economy without such an increase in the money supply. It is a physical impossibility to fill five pints of milk from one quart bottle. (†)

Even Ernest Hemingway once wrote that two evils inevitably brought nations "temporary prosperity . . . permanent ruin". They are inflation and war. Richard Nixon inherited both and has conquered neither. Mr. Nixon attempted to control Johnsonian "inflation" by persuading the Federal Reserve Board to raise the prime interest rate from 6½ percent to 8½ percent. Meanwhile the President adamantly refused to balance expenditures with revenues, the only effective way of bringing "inflation" under control. The result was strangulation—high interest rates (stagnating venture capitalism among the middle class) accompanied by wild inflation.

The man can hardly plead ignorance. Mr. Nixon knows the real cause of inflation and explained it clearly on January 27, 1970, as follows:

The inflation we have at the start of the Seventies was caused by heavy deficit spending in the Sixties. In the past decade, the Federal Government spent more than it took in—\$57 billion more. These deficits caused prices to rise 25 percent in a decade.

Even so, knowing that as a fact, Mr. Nixon chose to roll up a deficit which will run scores of billions of dollars higher than that of his predecessor. He knows what he is doing, and he does it anyway. Facing an election year the President has pulled out all the stops, reaching for a deficit beyond the wildest imaginings of any American President in history. It is an all or nothing attempt to be reelected in 1972. The next year, 1973, could as a result be the worst for the economy since the Great Depression. But that is *after* the election—and besides, there will be other power games to play then.

What is happening is that President Nixon is destroying your money in order to get reelected. The country—and the world—are to be flooded with bogus billions of our dollars.

(continued on page 3)

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

(†) Students of Social Credit monetary analysis will recognise an incorrect premise in this explanation of the mechanics of inflation; but the situation is now so grave that this is of little importance. The *Insiders* know very well what they are doing—working for a situation where they can install an international force to police World Government. Economic theory will then be irrelevant, for the basic reality will be rationing by fiat. Monetary systems, defective or otherwise, do not operate in prison camps; and the Big Idea is to turn the world into a One World prison camp.—Ed., T.S.C.

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FROM WEEK TO WEEK

If it were possible to compare the world of ten years ago with the world today as if the old world were merely yesterday, it would be immediately apparent how much worse it has become. Against orthodox economic prediction, rising unemployment is accompanied by mounting inflation—the ultimate financial dilemma. It is *officially* stated that 'Russia' has overwhelming military superiority in Europe and, for practical purposes, the Mediterranean and the Middle East, so that Europe remains free only, so it seems, by courtesy of the U.S.A. and even then because of American nuclear capability. But the U.S.A. is plagued by crime, drug addiction, unemployment, and riots; and now the 'mighty' dollar has fallen, and well may take 'capitalism' with it, apparently in accordance with the predictions of Marx, but in reality because of manipulation of the financial system.

In 1970 Congress passed the Economic Stabilization Act—*apparently* in the face of President Nixon's opposition—he is said to have said that he would not use it even if it were enacted. Nevertheless, this Act is the legal basis for the President's wage-and-price freeze which is already disrupting the American economy, and the effects of which are expected rapidly to intensify as bureaucratic interference with industry and business multiplies.

Several years ago the then President issued a series of Executive Orders for Defense Planning. These gave great and comprehensive powers of acquisition, rationing, control of transport and communications, etc. In 1969 these Orders were consolidated as Executive Order 11490, but this time under the title *Emergency Planning*. As the John Birch Society Bulletin for Sept. 1971 puts it: "The President was now authorised to do practically anything he wished, and to seize any power that he wanted, simply by declaring a state of national emergency.

"The only trace left of any *legal* protection of the American people against absolute tyranny would seem to be the definition of what constitutes an emergency. And we have seen a letter from the White House, on stationery of the *Executive Office Of The President*, which contained this paragraph in reference to Executive Order 11490: 'A national emergency may be defined as an unforeseen combination of circumstances, capable of affecting parts of or

the whole of the nation's posture, which calls for immediate action by the nation'."

When one sees a woman busy with the preparation of a layette, or sees the accumulation of building materials on a hitherto vacant block of land, one recognises portents of things to come. What sort of emergency portended in 1969 that required the consolidation of *defense* Orders into a comprehensive *emergency* Order? Could it have been the "world currency crisis" of 1971?

So what now is left of the U.S. defence 'umbrella' over Europe? As can be seen by a study of Gary Allen's *America 1971*, American internal financial troubles are only beginning—a massive inflation is on the way, and this can only lead to social breakdown—not a good 'posture' from which to conduct the defence of Europe.

Against this background, it seems as well to quote once more the prediction made by Dimitri L. Manuilski at the Lenin School of Political Warfare in Moscow in 1930: "War to the hilt between communism and capitalism is inevitable. Today, of course, we are not strong enough to attack. Our time will come in 20 to 30 years. To win, we shall need the element of surprise. The bourgeoisie will have to be put to sleep. So we shall begin by launching the most spectacular peace movement on record. There will be electrifying overtures and unheard of concessions. The capitalist countries, stupid and decadent, will rejoice to cooperate in their own destruction. They will leap at another chance to be friends. As soon as their guard is down, we will smash them with our clenched fist." (Congressional Record, May 1955, p. A3764.) Well, it has taken 41 years, but the rest of it is evidently right enough. Note that it was the School of *Political Warfare* where Manuilski was disclosing the strategy.

But behind all this stand the international financiers. The key to the whole situation lies in the *persistence* in a defective financial system, which has largely nullified the potential advances of civilisation: "Its banking system, methods of taxation and accountancy counter every development of applied science, organisation and machinery, so that the individual, instead of obtaining the benefit of these advances in the form of a higher civilisation and greater leisure, is merely enabled to do more work. Every other factor in the situation is ultimately sacrificed to this end of providing him with work, and at this moment the world in general, and Europe in particular, is undoubtedly settling down to a policy of intensive production for export, which must quite inevitably result in a world cataclysm, urged thereto by what is known as the Unemployment Problem."—C. H. Douglas, 1924.

Now if the British Government, instead of pursuing the suicidal folly of surrender to 'Europe' would take advantage of the enemy's pre-occupation with the final moves towards World Government to effect a unilateral financial reform within the United Kingdom, it just might dislocate those moves. We published recently (4 Sept.)* some principles of such reform, and since only a Statement of Intent as to longer-term proposals, combined say with immediate removal of all purchase-tax, abolition of Social Service taxes, and the creation of a National Assets Account, capitalise, provisionally at a conservative estimate of its current value, to

*Available as *Postscript to Whiteprint for Betrayal*: K.R.P. Publications.

provide for present Social Service payments, is required at this juncture, there is a possible alternative to disaster. The last thing the conspiracy wants is large-scale war; and it is that which makes such financial reform feasible at this stage. Its importance would be that it would demonstrate that a solution to the economic problem is possible without hardship to anyone; and it is the economic problem which is supposed to justify World Government. Once it was demonstrated that by reform nations had within their own resources the means to retain their sovereignty, the internationalist bubble would burst, and the world would be saved from a new Dark Age of tyranny, which otherwise will certainly engulf us—perhaps within the coming year. A fearful responsibility rests on the Governments of the free nations, and not least on the British.

Sense and Nonsense

One may return the compliment and quote from "World Survey" broadcast in July 1971 by Harvey Ward, head of Combined News Service R.B.C./R.T.V. (Rhodesia). Mr. Ward quoted President Houphouet Boigny's of Ivory Coast in his address to the National Council in which he rejected the Organisation of African Unity proposal that condemned dialogue with South Africa. The O.A.U., the President complained, "was becoming an organisation of illusions". He denounced the Organisation's attempt to silence him "under the pretext of majority rule" as if the O.A.U. were a super-state, and said that the so-called non-aligned states in Africa were "in reality united with Peking". We could add that the O.A.U. which tries to divide central from southern Africa, should be called the Organisation of African Disunity. A wise African would look for the unity of a continent at which outsiders are casting longing eyes and doing their best to penetrate. I hope that enough African statesmen will appreciate this truth in time.

A priest declared *persona non grata* by the South African Government nearly a year ago "after allegedly being involved in the publication of a pamphlet on the World Council of Churches' grants to freedom fighters in Africa" (*Church Times*, Aug. 27, 1971) has been given a new post in Britain, understandably enough. But one may feel some surprise that the post is that of "adviser on community relations in the diocese" of Wakefield. He will, it is hoped, "co-operate with the community relations officers" in larger centres of population, and "visit deanery synods and chapters to discuss these problems with them". One might have reasonably expected him to be given a quiet position where he could, as it were, cool his heels, after his involvement in rather bad relations with his host community. But this evidently turned out to be a qualification. Meanwhile a niece of Montagu Norman has served to reveal some of the secrets of South African security, for Major Swart has described how he arranged to be introduced to Miss Norman posing "as an anti-Government Liberal". No one can believe that the South African authorities much relished arresting the Dean of Johannesburg.

And on the other side of the world, Thomas Shepard Jr. hits back at nonsensical and insidious attacks on American methods (*Human Events*, July 10, 1971). He says, "And let us speak up about the rest of the hokum circulated by consumerists who are out to stampede us into a new socio-economic system". We are not, "repeat *not*", on the verge of

planetary overpopulation, for "the birth-rate of every major country on earth has been declining since the 1920s, according to the World Health Organisation". He deplores drug-addiction, with one in 3,000 Americans addicted. "But 50 years ago, reports *Encyclopedia Americana*, one in every 500 Americans was on hard drugs." He mentions the tremendous achievements by private industry, which have "cut the average housewife's kitchen chores from five hours a day in 1900 to an hour and a half today and . . . have done more to liberate women than all of the bra-burners on Boston Common". He warns seriously enough against all who "in the guise of protector and patron, seek to deprive us of our cherished freedoms".

The pattern emerges of a bogus threat, under which people weaken and give up their freedom. We in Britain today are being threatened and cajoled and browbeaten into surrendering our very sovereignty by "going into Europe", as it is called: in reality it means permanent abdication, handing over the keys. In mediæval times, although the justices owed allegiance to the pope and many of them were ordained, they resolutely withstood any attempt to impose foreign laws in the shape of canon law, on the country and defended the native common law against pope or archbishop. So, by being true to ourselves, we were able to make great contributions to Europe and the world.

—H.S.

America 1971

(continued from page 1)

The President, as Mises-trained economist Hans Sennholz has pointed out, has opted for hyperinflation and one last binge of drunken spending before the biggest economic hang-over in modern history. That it will be accompanied by a federal power-grab is as certain as taxes and death.

Much has been said in the media of late about how independent and stubborn Dr. Arthur Burns, President Nixon's friend and former advisor, has proven to be as Chairman of the Federal Reserve Board—the group controlling our money supply. One is told that the recalcitrant Dr. Burns is refusing to run the printing presses fast enough to suit the President. Dr. Harry Schultz notes that "the figures belie such P.R.". Professor Milton Friedman observes in *Newsweek* of May 3, 1971, that "the quantity of money has been exploding in recent months".

Syndicated "economist" Sylvia Porter reports that if the opening of the sluice gates of new currency does not stimulate the economy sufficiently to ensure the reelection of Richard Nixon, he is prepared to cut taxes to apply further adrenalin to the economy. This would be a solution if federal spending were also cut to prevent a deficit. It will not be. As a result, any tax cut will magnify the already gigantic deficits and further inflate the currency so that whatever money the government doesn't take is eaten up by sharp rises in prices.

The government admits that already the 1939 dollar has lost sixty-five cents worth of its purchasing power. But you don't buy food with a "35-cent dollar", nor do you pay rent with a consumer price-index figure. The nickel hotdog of 1939 is thirty cents today; the twenty-cent movie is \$1.50 to \$2.00; the ten-cent magazine is fifty cents; the fifty-cent dinner is \$2.00; the nickel bus fare is thirty cents; and, fifty-cent haircuts are \$2.00. The list goes on and on. Such are the practical results of Keynesian thralldom.

Last year the sluggish economy slowed slightly, so that the cost of living jumped a mere 5.5 percent. The previous year it had risen 6.1 percent. This was a very temporary condition, and monetary experts like Dr. Hans Sennholz are predicting annual increases in the cost of living of ten to fifteen percent in the near future. The President has assured businessmen that "the worst of inflation is behind us". But he knows very well that he is not telling the truth. The Administration has never even claimed that prices will stabilize. It expects us to go and coo at its promises that prices will not rise quite as rapidly in the future as they have in the past, even as deficit spending goes up and up and out the top.

Knowing that drastic inflation is on the way, the Administration is appealing to labor by advocating a minimum wage of two dollars an hour. Without inflation, this would mean unemployment for hundreds of thousands, if not millions, of marginal workers. But when bread goes to a dollar a loaf, a minimum wage of two dollars will not be out of line. You see, it isn't because he studied to be a magician that the President's political opponents have labeled him "Tricky".

More and more the Democrats and the opinion molders of the media are talking of the need for wage and price controls. Congress has given the President the authority to institute them. Mr. Nixon said he did not want such powers, but he forgot to veto the bill which gives him the authority "to halt increases in prices, wages, salaries and rents". Is that sort of dictatorship on its way? On May 20, 1971, the *Los Angeles Times* reported:

[Arthur Burns] the head of the nation's central bank said a tough anti-inflation fight, complete with direct government intervention in the market-place to hold down wage and price increases, stands at the top of his list of remedies.

We think Mr. Nixon will try to hold off official wage and price controls until after the election. In the meantime, he will use the full force of White House "persuasion" to delay the consequences of his having sluiced vast amounts of deficit money into the economy. As the Establishment's Roscoe Drummond observed in the *Christian Science Monitor* for November 23, 1970:

[The Nixon Administration] is offering to make a "social compact" among business, labor, and government The proposed social compact is this: If labor and business will hold wage-cost increases to a non-inflationary level, the government will shift at once from a policy of restraining the economy to a policy of invigorating the economy and full employment.

Mr. McCracken is now beginning to spell out this plan in some detail, and he puts the President's firm commitment to it in these words: "We should have the ingredients here of a social bargain or compact. With more confidence about a stable price-cost level there would then be pervasive support for more vigorously expansive basic economic policies."

Whether political intervention can indeed postpone the effects of the iron laws of economics until 1973 is problematical. What is certain is that Richard Nixon is trying to do just that. In his column of February 6, 1971, John Chamberlain revealed the ironic parentage of this Nixon strategy, and where it will lead:

The de facto economic gray eminence of the Republican party is, believe it or not, none other than Walter

Heller, who was chairman of the President's Council of Economic Advisors under the Democrats.

This will be disputed by the Nixon administration, but the truth is that the idea of the "full employment budget" (so-called because it is supposed to come into balance through rising tax collections when unemployment narrows to 4 percent) is his own patented nostrum. He has been peddling it for years

So it will come to pass that J. Kenneth Galbraith, who thinks the Democratic party of Humphrey and Muskie is too stodgy and respectable to pass muster in Harvard Square, will be the de facto economic gray eminence of the next phase of Republican policy. Galbraith has been peddling price and wage controls in articles and speeches for years.

No, it wouldn't work. But the "full employment budget" that Nixon has taken from the Heller arsenal of ideas drives inexorably toward the Galbraith "cure". The only thing that could stop it would be a most gentlemanly sort of restraint on the part of the steel union. Is this a likely prospect? Don't ask.

Meanwhile, all of this fiscal mismanagement has once again bestirred the fabled gnomes of Zurich, those cantankerous old elves who are known to play games with gold. The gnomes in turn front for even more mysterious giants who run international banking establishments in Frankfurt, Paris, London, and New York. The gnomes take the rap in the public scandal sheets whenever the giants make a raid on the international money markets. After all, we might be able to get to those giants in Manhattan, but a gnome in Zurich is as inaccessible as the key to Fort Knox.*

(To be continued)

*Patriotic Congressmen John Schmitz, Philip Crane, and John Rarick have introduced bills which would permit Americans to protect themselves from the depredations of John Maynard Nixon by allowing citizens to own gold. But, even as this is written, those bills are tightly bottled up in the Committee of Congressman Emanuel Celler, who has delighted in formally associating himself with forty-five officially cited Communist Fronts and causes. The Nixon Administration is not exactly twisting Congressman Celler's arm to promote Hearings on the subject of legalizing private ownership of gold, and you can be certain that Congressman Celler isn't going to move an inch.

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